



**Science For A Better Life**



**Merrill Lynch European Chemicals Conference**

**Dr. Rüdiger Scheitza**

Member of the Board of Management of Bayer  
CropScience AG

December 13 | 2007

# Important Information



This presentation contains forward-looking statements based on current assumptions and forecasts made by Bayer Group 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 our public reports filed with the Frankfurt Stock Exchange and with the U.S. Securities and Exchange Commission (including our Form 20-F). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

# Bayer CropScience



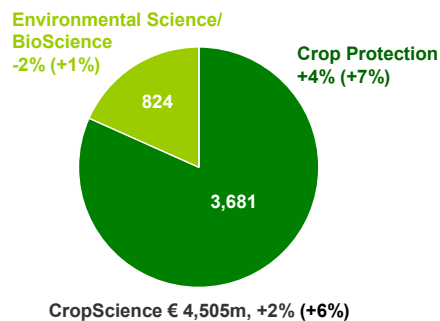
- Strong performance
- Favorable market environment
- Execution of our strategic agenda
- Optimistic about future development

## Favorable Development in First Nine Months



### 9M'07 Sales

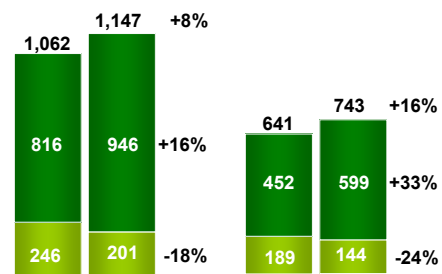
In € million, Δ% y-o-y



### Earnings

#### Underlying EBITDA

#### Underlying EBIT



9M'06	9M'07
24.1%	25.5%
Underlying EBITDA margin	

( ) Currency & portfolio adjusted

## Strong Business Expansion and Improved Profitability in 9M'07



- Sales of €4,505m (+6%\*) reflecting strong development of Ag markets worldwide; gratifying performance of Fungicides and Seed Treatment
- Sales of €1,013m from new active ingredients (+36%)
- Underlying EBIT €743m (+16%) on record level
- Underlying EBITDA €1,147m (+8%, margin +1.4pp), driven by good top-line performance and improvement of cost base
- Approx. €80m fresh savings generated
- Strong Working Capital performance boosted Net cash flow +41%



\* currency and portfolio adjusted

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## Growth Drivers of the Global Ag Economy



### Growing world population

- increasing food & energy demand
- decreasing farmland per capita

### Need for alternative energy feedstocks

- increasing demand for renewable energy and biofuel

### Growing wealth

- increasing meat consumption and need for feed
- decreasing stocks to use

### Climate change

- yield losses through adverse weather conditions
- need to reduce greenhouse gas emissions, such as CO<sub>2</sub>

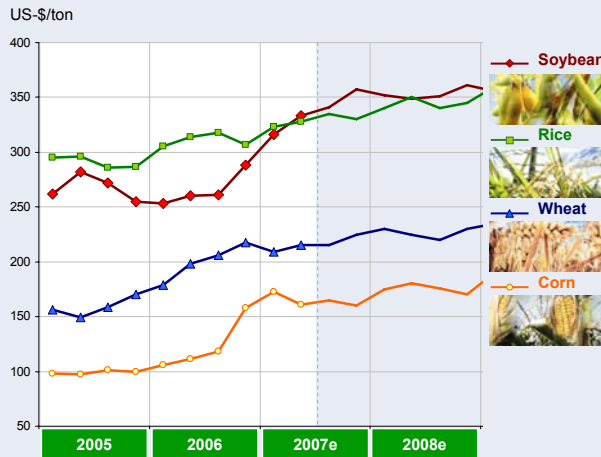
- Acreage competition between food, feed, bio-energy crops and fiber

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## Rising Commodity Prices



### Commodity price development of key crops



- Production of key crops, wheat, corn and rice falls significantly short of consumption in the 2006/2007 growing period
- Decline of global grain stock levels expected to continue
- Forecasts indicate that stocks of wheat and rice may reach critical levels in 2007/2008

Source: The Economist Intelligence Unit, August 2007

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## Crop Science Industry on Balance More Positive



- Increasing demand for food, feed, fiber and renewable raw materials drives commodity prices
- Acreage expansion and higher investments in pest, disease and weed control as well as in yield increase and higher quality products
- Innovative solutions required for yield increase, stress tolerance and resistance management
- Demand for biofuel crops boosts crop protection and seeds & traits markets
- Increased acceptance and penetration of GMOs
- On-going substitution of older crop protection products by generics



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# CropScience: Strategic Priorities



## Drive Top-line in Agrochemicals

- Deliver strong pipeline of new active ingredients
- Exploit opportunities from growing demand for biofuel

## Expand Seeds and Traits Business

- Grow successful platform of canola, cotton, rice and vegetables
- Leverage our proprietary trait assets
- Intensified focus on the research areas yield increase and stress tolerance


## Improve Profitability

- Execute restructuring and generate targeted cost savings
- Improve product mix

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# Attractive Crop Protection Pipeline



	Research	Early development	Advanced development	(Pre-) Launch	already launched
Launch (E)	≥2015	2013-2015	2008-2012	2007-2008	2000-2006
<b>Total</b>	<b>45 Projects</b>	<b>9 A.I.s</b>	<b>9 A.I.s</b>	<b>4 A.I.s</b>	<b>17 A.I.s</b>
<b>Herbicides*</b>	} 42	} 8	4	2	5
<b>Fungicides**</b>			4		6
<b>Insecticides**</b>			1	2	6
<b>Plant Health</b>	3	1			

\* incl. safeners  
 \*\* including seed treatment applications

- New a.i.s launched since 2000 collectively generated > €1bn in sales in 2006
- Peak sales potential of €2bn from 26 new active ingredients targeted by 2011

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## Introduction of Four New Crop Protection Compounds between 2007 - 2008



### Two New Insecticides

- **Flubendiamide**  
Broad-spectrum control of lepidopterous insect pests in cotton, fruit and vegetables, nuts, grapes, corn and rice
- **Spirotetramat**  
Effective control of a broad spectrum of sucking insects; protects a wide range of fruits, nuts, vegetables and potatoes

**BELT**

**MOVENTO**

### Two New Herbicides

- **Tembotrione**  
High efficacy for the post-emergence use in corn against broadleaf weeds
- **Pyrasulfotole**  
New mode of action for use in cereals; broad-spectrum activity against broadleaf weeds



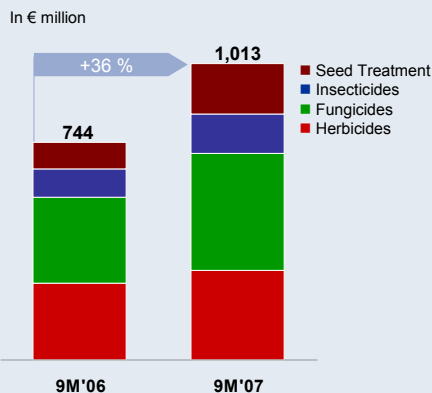
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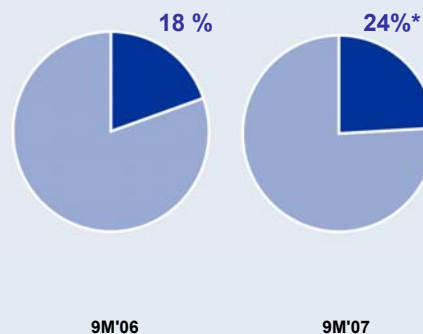
## Innovation at Crop Protection Drives Improvement of Product Mix



### Sales of new a.i.s



### Share of new a.i.s in agchem sales



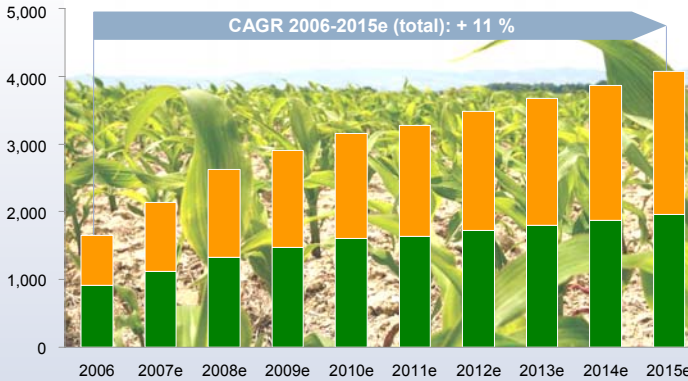
\* Agrochemical sales - include Crop Protection and Environmental Science, exclude BioScience business  
Crop Protection only: 27.1 % in 9M'07

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# Growing Demand for Biofuel Boosts Crop Protection and Seeds & Traits Market



Market size  
in € million



**Seeds & Traits  
for biofuel crops**

CAGR +12 %

**Crop Protection  
input for  
biofuel crops**







CAGR + 9 %

Source: Bayer CropScience estimates

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## Bayer CropScience Portfolio for Biofuel Crops



<p><b>Bioethanol</b></p>  <p><b>Corn</b></p> <p>Distinguished seed treatment portfolio headed by Poncho®</p> <p>LibertyLink® technology for corn seed</p>	<p><b>Cereals</b></p>  <p>Excellent portfolio of innovative cereal herbicides (e.g. Atlantis®) and fungicides (e.g. Proline®, Fandango®)</p>	<p><b>Sugarcane</b></p>  <p>Comprehensive portfolio of well-proven and novel crop protection solutions (e.g. Evidence®, Provence®) with further products currently in development</p>
<p><b>Biodiesel</b></p>  <p><b>Canola</b></p> <p>Integrated full solution of high yielding hybrid seed InVigor® combined with herbicide-tolerant trait and strong crop protection products</p>	<p><b>Soybean</b></p>  <p>Extensive fungicide portfolio (e.g. Folicur®, Flint®) and innovative seed treatment solutions</p> <p>LibertyLink® technology for soybean seed</p>	<p><b>Jatropha</b></p>  <p>Project to develop and register crop protection solutions for use in Jatropha</p>

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# Participate in the Dynamic Development of the Traits Market



## Expected traits market in 2015

Split by agricultural crop



- Cotton
- Soybean
- Canola/OSR
- Corn
- Rice

- Traits market estimated to grow from €1.8bn in 2005 to ~ €3.6bn in 2015
- Bayer CropScience holds strong position already in herbicide tolerant cotton and canola
- Expansion into insect control, stress tolerance and other 2nd generation high impact traits planned for cotton, canola and rice
- Participation in growing GM corn and soybean markets by collaborating with key germplasm originators

# Grow Successful Platform of Canola, Cotton, Rice and Vegetables



### Canola



- Launch of InVigor® Health hybrid canola in alliance with Cargill
- License agreement with Senesco

### Cotton



- Acquisition of Stoneville, CPCSD and Reliance Genetics
- License agreement with Senesco

### Rice



- Regional expansion (Indonesia, Vietnam, Brazil and Pakistan)
- 2 Joint ventures in China in process

### Vegetables



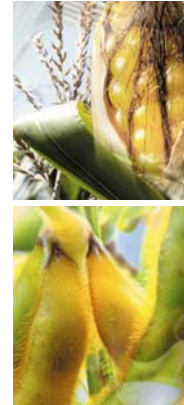
- Acquisition of Unilever's tomato seed business and SeedEx
- Regional expansion in Asia Pacific

- Investment of ~ €250m in seed business extension during past 12 months
- Targeting sales of ~ €1bn in BioScience within the next 10 years

## Participation in Growing GM Corn & Soybean Markets by Collaborating with Key Germplasm Originators



- Growing weed resistance to glyphosate spurs strong market interest in our LibertyLink® (glufosinate-ammonium) herbicide tolerance system
- Bayer CropScience has granted Monsanto a non-exclusive, royalty-bearing license to LibertyLink® technology for use in corn and soybeans
- Collaboration with Mertec LLC and M.S. Technologies LLC to jointly develop and commercialize soybean varieties with tolerance to innovative herbicide combinations
- Expansion of production capacities for Liberty® herbicide




- Potential for significant trait income and sales of our Liberty® herbicide

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## Promising BioScience Pipeline



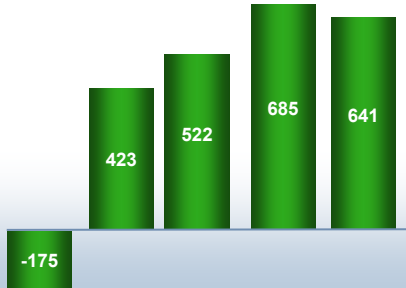
	Research	Early development	■ Advanced development	Prelaunch
<b>Launch (E)</b>	≥2015	>2013	>2010	2009/2010
<b>No. Projects</b>	~30	5	6	3
<b>Projects</b> 	Herbicide-tolerance	Herbicide-tolerance	Herbicide-tolerance	Herbicide-tolerance:
	Insect-control	Insect-control	Insect-control	■ <i>In-house GlyTol (cotton)</i>
	Quality traits	Quality traits	■ <i>Cotton</i>	■ <i>GlyTol x LL (cotton)</i>
	Disease control	Disease control	■ <i>Canola</i>	■ <i>LL (soybean)</i>
	Stress tolerance		■ <i>Soybean</i>	
	Yield increase		■ <i>Rice</i>	

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# Major Achievements since 2002



Underlying EBIT in € million



- Successful integration of Aventis CropScience
- €700m contribution from integration and efficiency programs
- Introduction of 17 new a.i.s since 2000 with sales of €1bn in 2006
- Divestment / phase-out of 29 older products
- Expansion of seeds and traits business

2002 | 2003 | 2004 | 2005 | 2006

11\* | 20 | 21 | 22 | 21

Underlying EBITDA margin

\* reported EBITDA margin; as published in 2003

# Successful Portfolio Optimization at Bayer CropScience



## Launch of innovative active ingredients

2000 - 2006

Clothianidin	Mesosulfuron
Ethiprole	Methoxyfenozide
Fenamidone	Propoxycarbazone
Fentrazamide	Prothioconazole
Fluoxastrobin	Spirodiclofen
Fluopicolide	Spiromesifen
Foramsulfuron	Thiacloprid
Iodosulfuron	Trifloxystrobin
Iprovalicarb	

## Portfolio optimization to drive value



Topline impact 2006

(in € billion)

+ 1.0

2006

- 0.23\*

## Divestments / phase out of compounds

2000 - 2006

Acetamidrid	Monolinuron
Acrinathrin	Ofurace
Amitraz	Omethoate
Asulam	Oxydemethon
Azocyclotin	Phosalone
Bifenox	Phoxim
Bromuconazole	Propoxur
Chlortoluron	Prothiofos
Dichlofluanid	Pyrazophos
Diuron	Sulfotep
Fenobucarb	Trace Product line
Flurcarbazone	Triticonazole
IPU	Trichlorfon
Linuron	Vamidothion
Metamitron	

+ 17

- 29

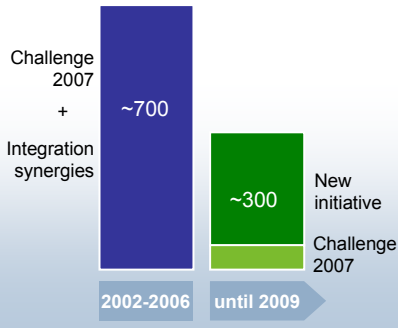
\* based on sales of the 29 compounds in last year before divestment

## Restructuring Actions to Improve the Cost Base



### Current efficiency programs and new savings initiative

In € million



- Approx. €300m savings p.a. targeted with new efficiency initiative
- Expected cash charge of approx. €330m along with write-downs of about €120m
- Initiative expected to become mainly effective in 2009; accretive to EBIT starting 2008
- In 2007, fresh savings of about €130m anticipated from the performance programs; special items in the range of €150 – 200m

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## Financial Outlook – Update Q3'07



2007



Targeting an increase in the full year underlying EBITDA margin to more than 22%

2009



Targeting an underlying EBITDA margin of approx. 25% (under normal market conditions)

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## Bayer CropScience



- Strong performance
- Favorable market environment
- Execution of our strategic agenda
- Optimistic about future development



- Bayer CropScience

# Bayer CropScience at a Glance



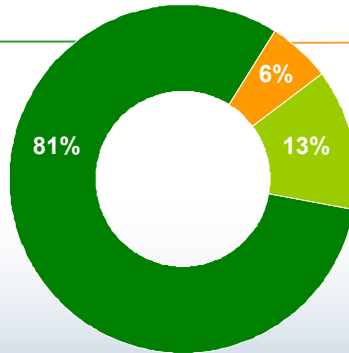
## Crop Protection

€4.6bn

Portfolio of Insecticides, Herbicides, Fungicides and Seed Treatment products

Operations in some 120 countries

Best-in-class R&D pipeline



## BioScience

€342m

Focus on 3 agricultural crops (cotton, canola and rice) and vegetable seeds

## Environmental Science

€714m

Professional Products for weed and pest control in non-farm applications

Consumer products for gardeners and home-owners

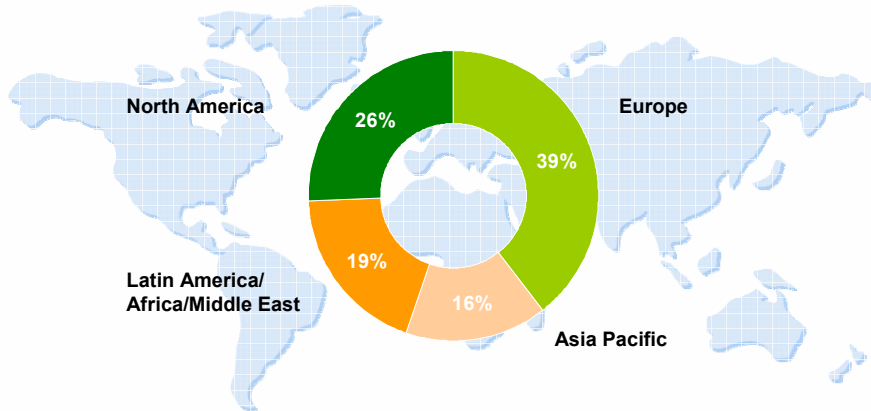
### Key figures 2006

Sales: €5.7bn

EBITDA underlying: €1,204m (margin 21.1%)

Employees: 17,900

# Bayer CropScience Sales by Region



Sales 2006: €5.7bn

## A Leader in its Markets



2006	Market Size	Bayer CropScience
<b>Crop Protection</b>	<b>€25.5bn</b>	
Insecticides	€6.4bn	# 1
Herbicides	€12.0bn	# 3
Fungicides	€5.9bn	# 2
Seed Treatment	€1.2bn	# 1
<b>Environmental Science</b>	<b>€4.5bn*</b>	
Professional	€2.7bn*	# 1
Consumer	€1.8bn*	# 3
<b>BioScience Seeds &amp; Traits</b>	<b>€4.1bn*</b>	

\* Relevant market only

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## CropScience: Key Financials 2006



In € million	FY 2006	FY 2005	Δ
<b>Sales</b>	5,700	5,896	- 3.3 %
<b>EBITDA underlying</b>	1,204	1,273	- 5.4 %
<b>EBIT underlying</b>	641	685	- 6.4 %
<b>Gross cash flow</b>	900	964	-6.6 %
<b>Net cash flow</b>	898	904	- 0.7 %
<b>CapEx</b>	197	201	- 2.0 %
<b>Operating free cash flow</b>	701	703	-0.3 %
<b>R&amp;D</b>	614	664	- 7.5 %
<b>Capital invested</b>	8,606	8,849	- 2.7 %
<b>CFRol</b>	10.3 %	11.2 %	- 0.9 pp

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## New Active Ingredients generated Superior Performance



In € million	9M'06	9M'07	Δ YOY	Δ YOY <sup>adj</sup>
Imidacloprid	448	452	+0.9 %	+ 3.7 %
Glufosinate-ammonium	183	189	+ 3.3 %	+ 8.5 %
Tebuconazole	216	186	- 13.9 %	- 12.2 %
Fenoxaprop-p ethyl	164	160	- 2.4 %	+ 1.0 %
Trifloxystrobin	113	160	+ 41.6 %	+ 45.0 %
Prothioconazole	116	155	+ 33.6 %	+ 34.0 %
Clothianidin	75	150	+ 100.0 %	+ 110.5 %
Deltamethrin	140	139	- 0.7 %	+ 2.6 %
Mesosulfuron	96	125	+ 30.2 %	+ 31.0 %
Ethofumesate / DMP / PMP	109	113	+ 3.7 %	+ 6.1 %
<b>Total Sales Top 10 product lines</b>	<b>1,660</b>	<b>1,829</b>	<b>+ 10.2 %</b>	<b>+ 13.3 %</b>

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adj = currency adjusted

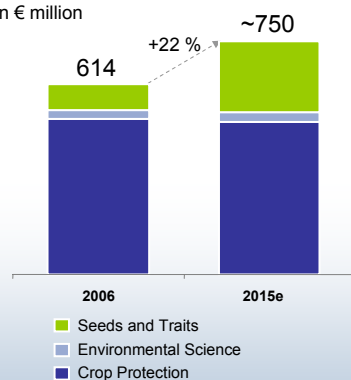
## Long-term R&D Expenditure More Aligned Towards Seeds and Traits



Planned development of total CropScience R&D expenditure

R&D Focus

In € million



- New crop protection a.i.s
- Improved plant health with innovative crop protection solutions
- Optimized plant characteristics (quality traits)
- New agronomic traits with increased emphasis on herbicide tolerance, insect resistance, disease control, yield increase and stress tolerance

- Expansion of seeds and traits R&D budget to > €200m by 2015

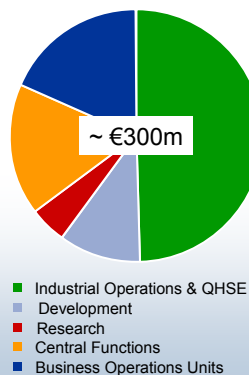
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## Overview on New Package of Restructuring Measures



- Reduction of personnel costs by cutback of about 1,500 positions worldwide
- Consolidation of global production network with site closures, divestments and restructuring in all regions  
→ Reduction from currently about 50 sites to approx. 35 sites in 2010
- Further saving measures, e.g. sourcing, waste, energy, maintenance etc.
- Measures expected to be largely implemented by end of 2009

### Savings by Functions



- Target cost leadership as well as optimize sites and assets

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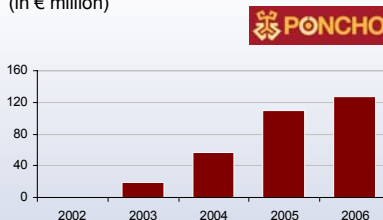
## Participating in Growth of US Corn Seed Market



### Seed Treatment

- With growing trait penetration, higher value seed drives application of insect protection already before sowing
- Poncho® (Clothianidin) has emerged as the product of choice for major US seed companies

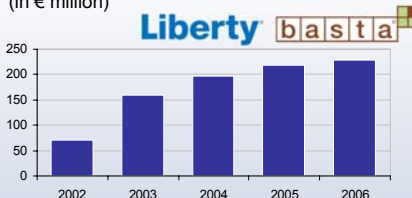
Sales development of Clothianidin (in € million)



### Herbicide-tolerant solutions

- New opportunities for LibertyLink® herbicide-tolerance traits in corn and soybeans
- Additional crop protection sales potential for our Liberty® herbicide (Glufosinate-ammonium)

Sales development of Glufosinate-ammonium\* (in € million)



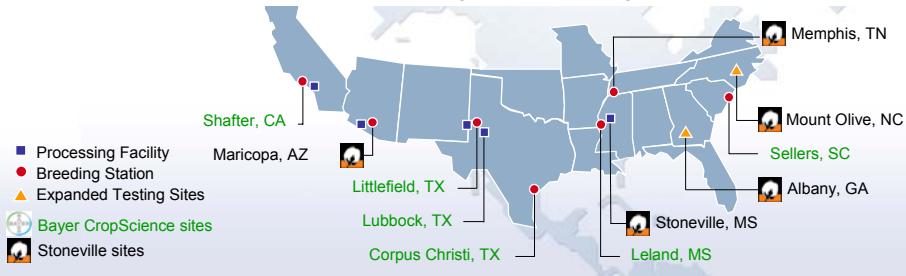
\* Including non-agricultural use

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## Acquisition of Stoneville Strengthens Cotton Seed Business



- Total purchase price of US\$310m (approx. €230m)
- Turnover of about US\$45m as per Stoneville's fiscal year 2005/2006
- Extended geographic reach and improved market position
- Access to additional high performing cotton products with insect-resistant and herbicide-tolerant traits
- Broadened germplasm library and access to new varieties
- Expanded capacity in breeding and processing
- Provides us with critical mass to leverage our promising cotton traits pipeline



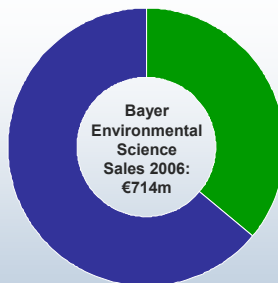
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## Broad Presence of Bayer CropScience in the Environmental Science Strategic Markets



**Professional**  
2006 market rank: #1

- **Green Industry**  
Turf, lawn & ornamentals – lawn care operators; golf & sport facilities, nurseries, cities/parks, industrial vegetation management; railways/roads, forestry
- **Professional Pest Mgmt.**  
General insect and rodent control, termite control and stored products
- **Vector / Locust Control**  
Insect-borne disease control and urban mosquito control



**Consumer**  
2006 market rank: #3

- **Branded Lawn & Garden**  
Pest and weed control solutions for do-it-yourself gardeners (fertilizer, insecticide, herbicide combinations, molluscicides)
- **Speciality Actives**  
A.I.s and concentrates to household insecticide consumer marketers and lawn & garden consumer marketers

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## Environmental Science: Innovation & Strong Brands are the Basis for Continued Market Success



- Capitalize on the backward integration with Crop Protection and powerful pipeline of new active ingredients
- Focus on proximity innovation to meet user and consumer requirements
- Build on strong brands *Bayer Advanced* and *Bayer Garden*
- Concentrate on higher margin products and markets by streamlining product portfolio
- Maintain high profitability of Environmental Science business



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## Food Supply: A Global Challenge

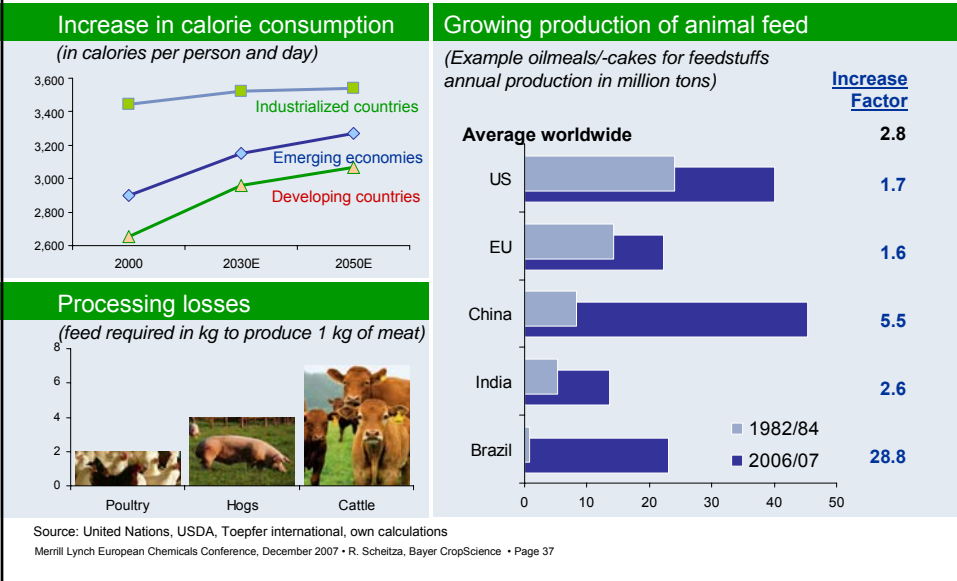


Year	World population (billion)	Arable land & permanent crops (billion hectares)	Farmland per person (hectares)
1950	2.5	1.3	0.52
1975	4.1	1.4	0.34
2000	6.1	1.5	0.25
2025	8.0	1.5	0.19
2050	9.2	1.5	0.16

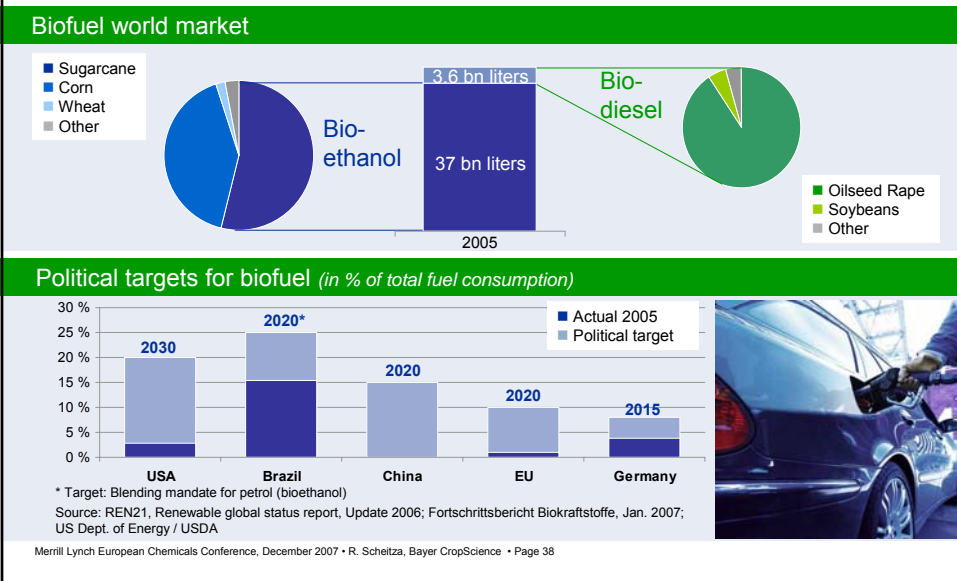
- With limited arable land and a continuously growing world population, the available farmland per capita is expected to further decrease dramatically

Source: United Nations  
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# Impact of Economic Growth and Prosperity on Consumer Behavior



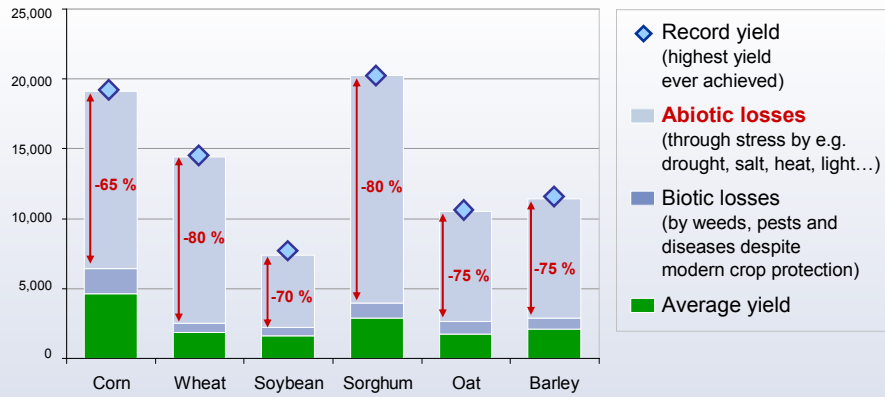
# Increasing Demand for Biofuel



# Yield Losses from Biotic and Abiotic Stresses



Yield in kg / ha



■ Climate change intensifies yield losses through adverse weather conditions

Source: Buchanan, Grissem, Jones: Biochemistry and Molecular Biology of Plants; American Society of Plant Physiologists, 2000  
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■ Calendar & Contacts

## Calendar of Events



Date	Event	Publication
Tuesday, February 26, 2008		Dividend Proposal
Thursday February 28, 2008	Investor Conference Call	Full Year Results Annual Report
Thursday, April 24, 2008	Investor Conference Call	First Quarter Results Stockholders' Newsletter
Friday, April 28, 2008	Annual General Meeting	
Wednesday, July 30, 2008	Investor Conference Call	Second Quarter Results Stockholders' Newsletter
Wednesday, October 29, 2008	Investor Conference Call	Third Quarter Results Stockholders' Newsletter

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