Science For A Better Life

Investor Handout

# China Investor Conference 2011

November 2011 | Shanghai

# Disclaimer

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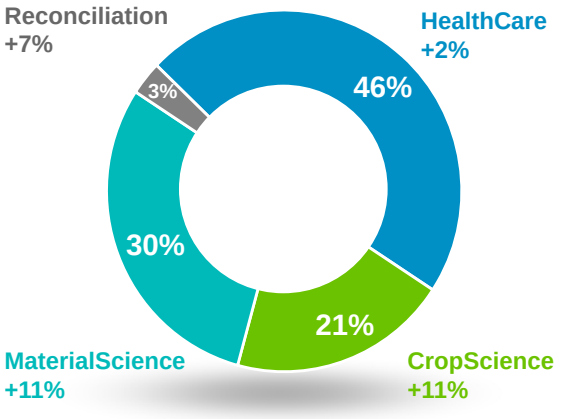
# Bayer – A Leader in its Markets

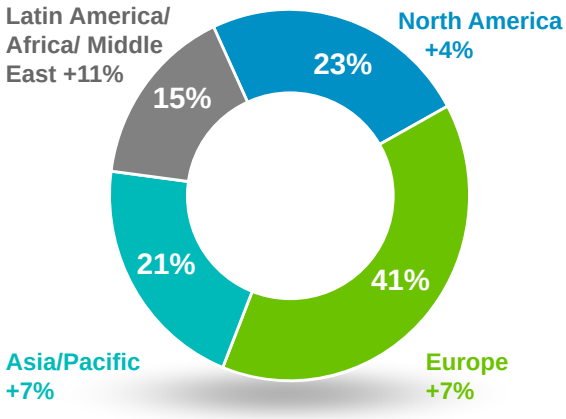
Group sales breakdown; Δ% yoy Fx and portfolio-adjusted

**9M2011 Sales by Subgroup**




**Group €27.3bn** (+7%)

**9M2011 Sales by Region**




**Group €27.3bn** (+7%)



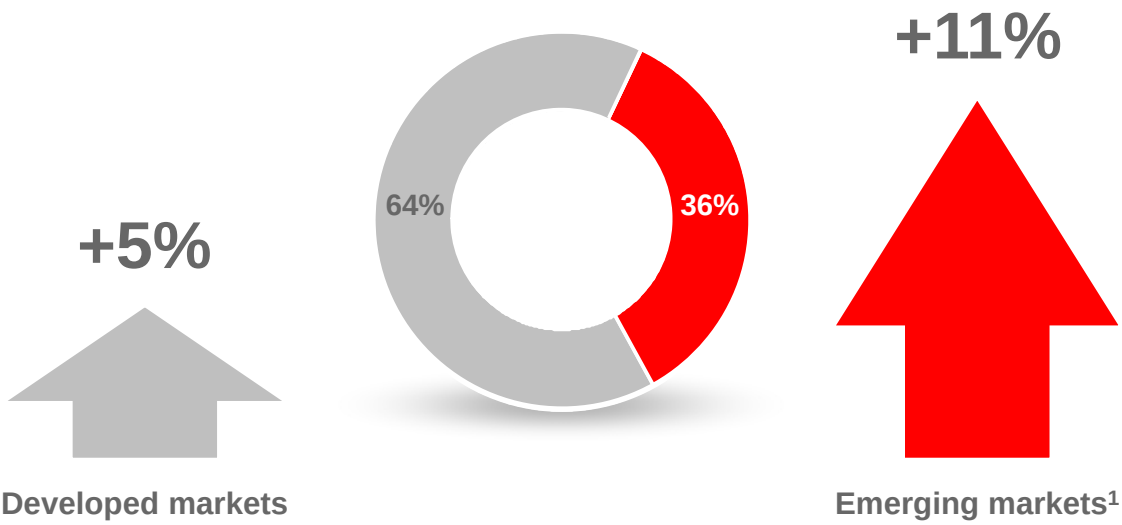
# 9M2011 – Bayer Confirms Group Outlook

- **Delivered growth and performance,** *adj. sales up 7%, adj. EBITDA up 12%, reported EPS +43%, Core EPS +19%*
- **Group FY 2011 financial outlook reiterated:** *On track for 5-7% organic sales growth, adj. EBITDA > €7.5bn and core EPS growth of ~15%*
- **Further strategic progress:**
  - **Innovation pipeline:** ***Xarelto****: approved by FDA, positive EU-opinion for SPAF; successful ATLAS trial.* ***Alpharadin****: FDA fast track designation.* ***Regorafenib****: phase III mCRC stopped early on success*
  - **Productivity:** *Group-wide restructuring plans with €320 million annualized savings already implemented*
  - **Emerging markets:** *11% organic growth*

mCRC: metastatic colorectal cancer
SPAF: stroke prevention in patients with atrial fibrillation

# Emerging Markets – Significant Growth Momentum

9M2011 Group sales breakdown; Δ% yoy Fx adjusted

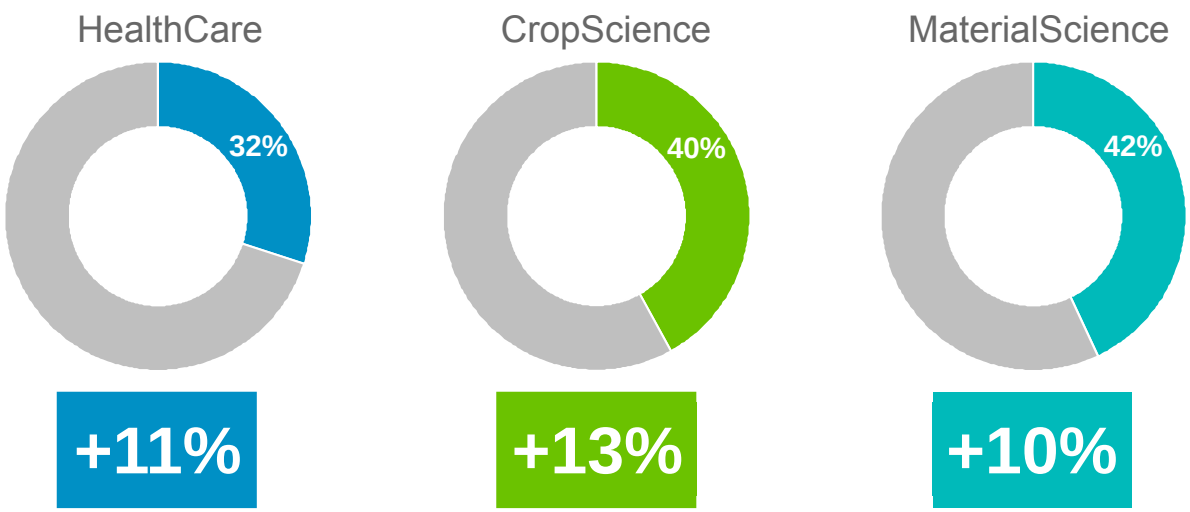



[1] Emerging markets: Latin America; Asia/Pacific w/o Japan, Australia, New Zealand; Africa and Middle East incl. Turkey; Eastern Europe



# Emerging Markets – All Subgroups Have Strong Foothold

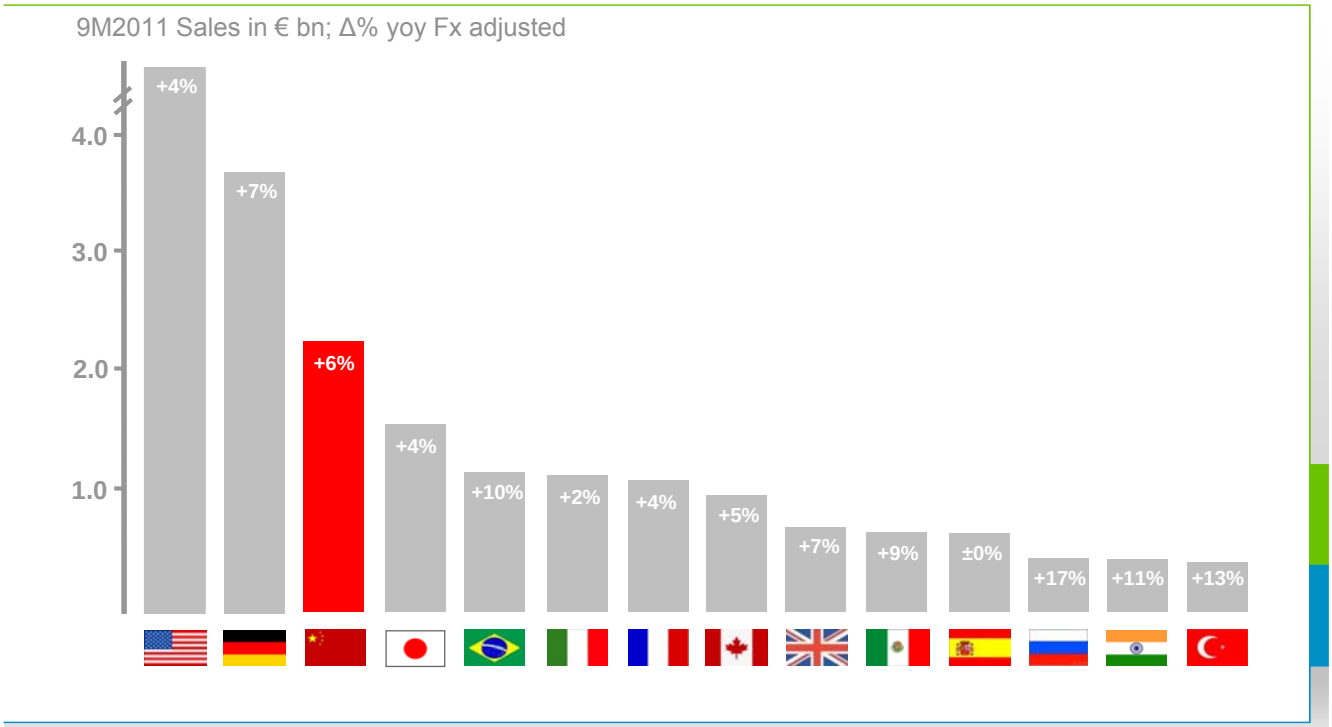
9M2011 Group sales breakdown; Δ% yoy Fx adjusted




= Developed Markets
= Emerging Markets[1]

[1] Emerging markets: Latin America; Asia/Pacific w/o Japan, Australia, New Zealand; Africa and Middle East incl. Turkey; Eastern Europe

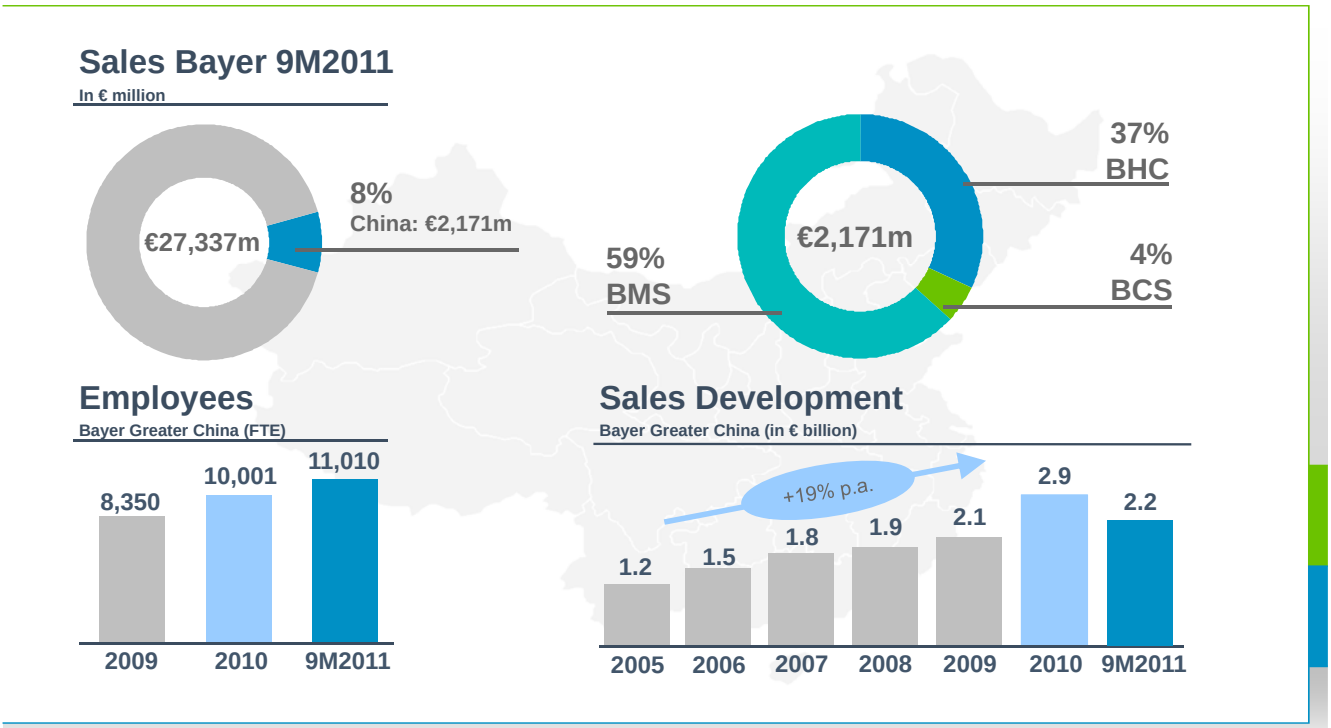
# China - Already Our 3rd Largest Market




China: Greater China (PR China, Hong Kong, Macao, Taiwan)



# Bayer in Greater China – Key Facts

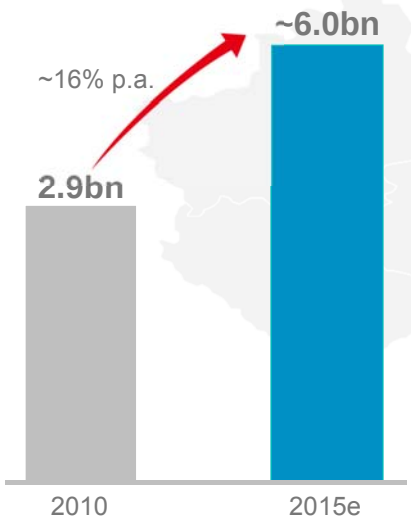



Greater China: PR China, Hongkong, Macao, Taiwan

# China - A Growth Engine for Bayer

## Group Sales Target 2015

Sales Greater China in €bn



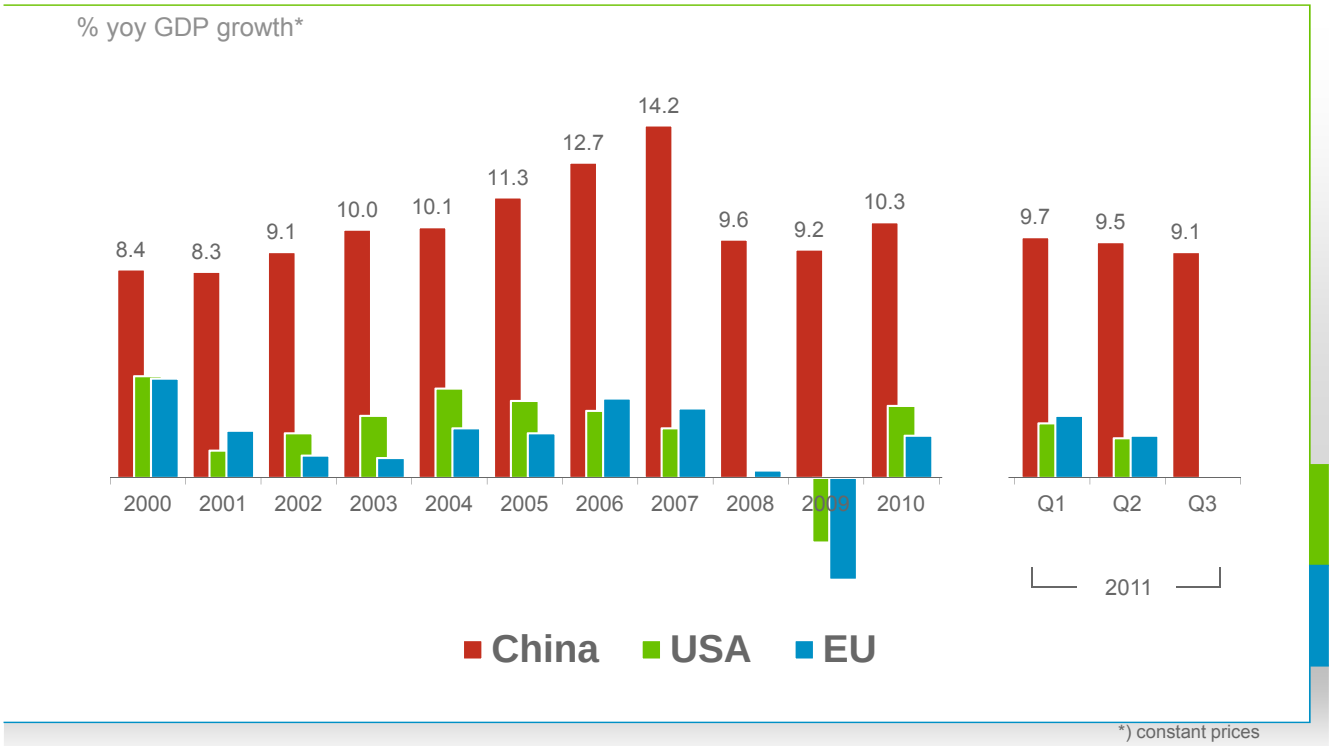

## Expansion in all Subgroups

- Well positioned to capture opportunities in one of the world´s fastest-growing economies
- Sales targets by subgroup:

| *€bn* | 2010 | 2015e |
|---|---|---|
| HealthCare | 0.9 | ~2.5 |
| CropScience | 0.1 | ~0.3 |
| MaterialScience | 1.8 | ~3.0 |

# An Economic Superpower

# More than a Decade of Rapid GDP Growth in China…




*) constant prices
Source: IMF, Eurostat

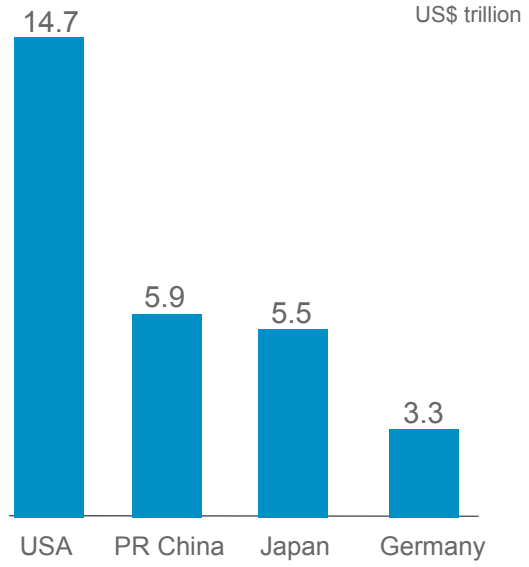


# …Making China the Second Largest Economy in the World

**Country Ranking by GDP**

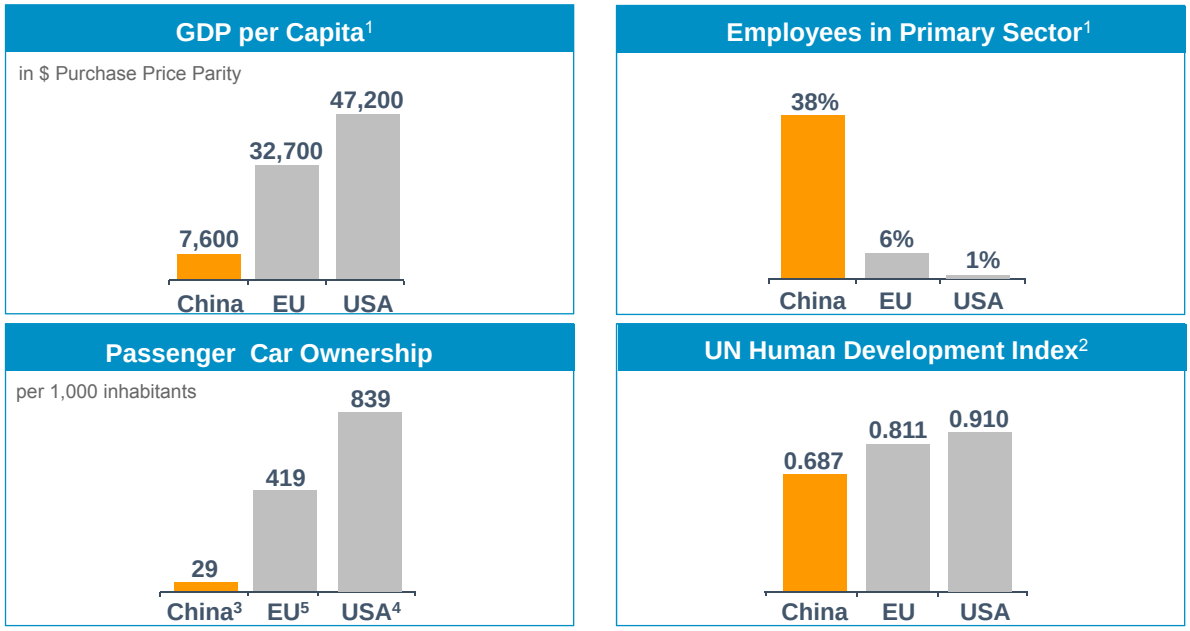
| 2000 | 2010 |
|---|---|
| USA | USA |
| Japan | **PR China** |
| Germany | Japan |
| UK | Germany |
| France | France |
| **PR China** | UK |
| Italy | Brazil |

**Nominal GDP 2010**




Source: IMF

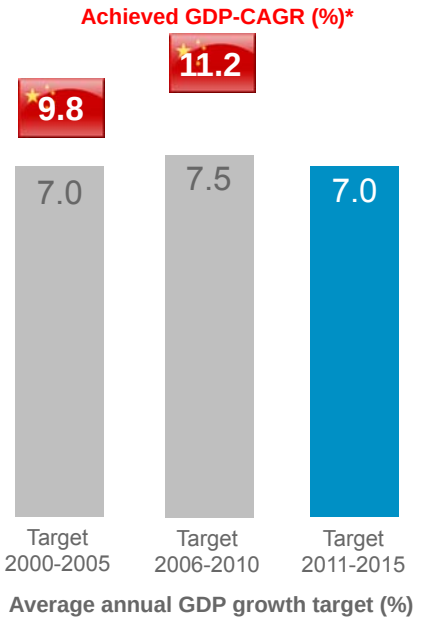
# PR China is Still an Emerging Economy




Sources: 1) CIA World Factbook 2) UnStats 3) China Statistical Yearbook 4) U.S. Bureau of Transport Statistics 5) European Environment Agency



# Attractive Long-Term Economic Growth Expected to Continue in China




- 12th five-year-plan targets average GDP growth of 7% p.a.
- Shift in focus from the pursuit of growth to increasing people's personal prosperity
- Greater emphasis on internal markets and domestic demand
- China exceeded GDP growth targets over the last decade despite global recessions in 2001/2002 and 2008/2009

*) CNY, constant prices
Source: IMF

# Main Focus Areas of China´s 12th Five-Year Plan 2011-2015

**Health Care**

100% health coverage by 2020

Groom national champions

Focus on biotechnology

**Food Supply & Security**

More focus on food security and industry consolidation

Sustainable farming

**Transportation**

150,000 km of railway by 2020

New energy auto

**Infrastructure**

Rural and urban roads

Focus on West China development

Urban light rail

**Renewable Energy**

Non-fossil fuel use at 11-12%* by 2015

Nuclear and hydroelectric power, wind, solar and biomass power

* Up from currently ~8%



# Presence in China is Essential

**Highest population**

1.3 billion (~20% of global population)[3]

**World leader in industrial output**

21% of global industrial production in 2010; U.S. 2nd with 14% (in $ PPP)[5]

**One of the fastest growing pharma markets**

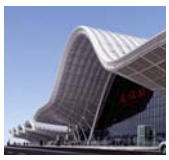
~17% CAGR 2010-2015 projected by IMS[4]

**Largest automotive market**

18.1 million car units in 2010 (24% of global production)[1]

**A leading agricultural market**

Global no. 3 crop protection market



**Largest construction market**

US$1 trillion in 2010[2]

Sources: 1) OICA; 2) Financial Times 3) UN-POPIN 4) IMS Health 5) CIA World Fact Book
PPP: Purchase Price Parity

# Unthinkable?

> Video Clip <

Early and

Long-Term

Commitment

# Bayer Has Been Operating in China for More Than a Century

| | |
|---|---|
| **1882** | Textile dyes first sold in China |
| **1913** | Founding of the trading company Fr. Bayer Co. in Shanghai |
| **1936** | Aspirin production at Bayer Pharma Co., Shanghai |
| **1994** | Founding of Bayer China Holding Company |
| **1995 - 1997** | Founding of ~12 small and mid- size JVs for different businesses; integrated site concept for Bayer MaterialScience<br>Construction of pharmaceutical facility for Bayer HealthCare |
| **2001** | Groundbreaking for the Bayer Integrated Site, Shanghai<br>BCS starts production at its Hangzhou plant |
| **2008** | Acquisition of Chinese OTC company Topsun |
| **2009** | €100 million investment for world-scale pharmaceutical R&D center in Beijing |
| **2011** | Bayer Integrated Site has world-scale production plants for polycarbonates (PCS), MDI, TDI and HDI<br>Global headquarters for PCS and Primary Care in China |



# Strong Local Site Network in Greater China

As of December 31, 2010

# BISS: A Milestone for Our Growth Strategy in China

## Key Site Facts

- Bayer premises: 1.5 square km
- Employees: > 1,000 FTE
- CapEx: approx. €2.1bn
- All PCS and PUR production lines in world-scale format
  - PCS: 200 kt/a
  - MDI: 350 kt/a
  - TDI: 250 kt/a
  - HDI: 30 kt/a
- State-of-the-art technologies in place
- Further expansion plans underway

BISS: Bayer Integrated Site Shanghai



# Building our R&D Platform in China

## Beijing

### Pharma R&D Center

- €100m investment over 5 years
- Will lead drug development for China and other Asian countries
- Global Drug Discovery Innovation Center in addition to establishment of development functions

### Bayer-Tsinghua University Strategic Alliance

- Joint Research Center for innovative drug discovery

## Shanghai

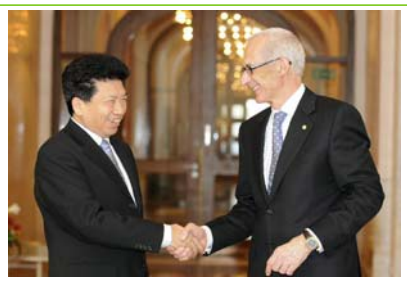
### Polymer Research and Development Center

- R&D platform for new applications, materials and formulations for polycarbonates and polyurethanes
- Scheduled for completion in 2012

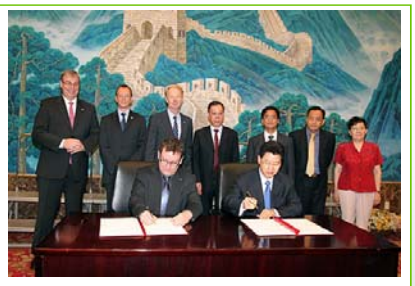
### Bayer-Tongji University Cooperation

# We Build on Trustful Long-Term Relationships

M. Dekkers, CEO, meets Wan Gang, Chinese Minister of Science and Technology



W. Plischke, Board Member, meets with Ma Canrong, former China´s ambassador to Germany



Extension of the Go-West training initiative for rural healthcare personnel

Yu Zhengsheng, CPC party chief in Shanghai, visits Bayer´s headquarters in Germany

Bayer receives coveted environmental award in China in 2010

A. Fibig, head of Pharmaceuticals, meets Xi Jinping, Vice President of PR China

# Our Portfolio

## Matches

# China´s Needs

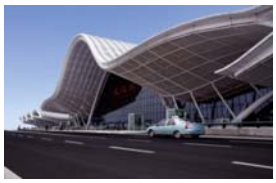
# Bayer Addresses Core Needs of China´s Economic Development

**Universal Health Care Coverage**

Bayer HealthCare

**Safe and Healthy Food for All**

Bayer CropScience



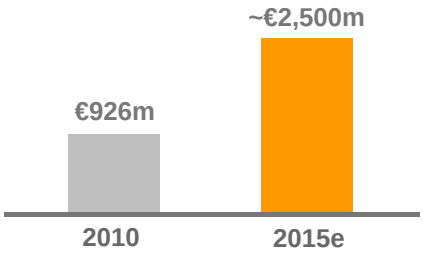
**Solutions for an Efficient Infrastructure**

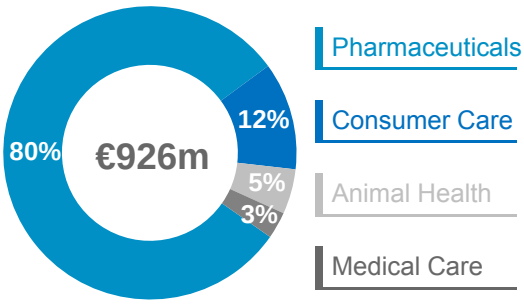
Bayer MaterialScience



# Bayer HealthCare in China

Sales in Greater China

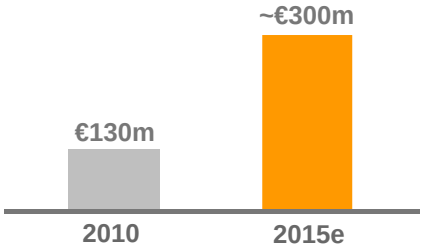


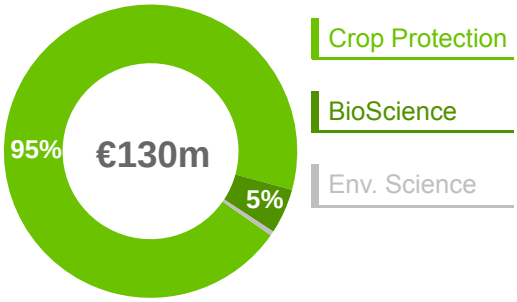




- Ranked among the top 5 health care companies in China
- Portfolio of established brands and innovative products
- Growing field force
- Expanding market reach through business regionalization
- Global R&D center and global headquarters for Primary Care in China
- Strong late-stage product pipeline

# Bayer CropScience in China

Sales in Greater China



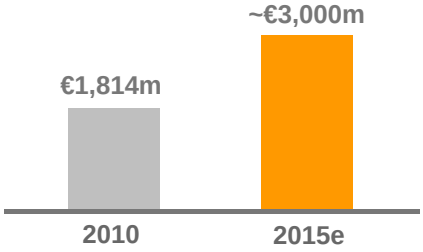



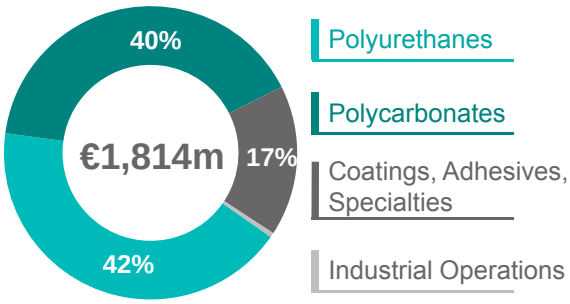

- Among the top 3 agchem companies in China
- A leader in innovation, providing integrated solutions and excellence in marketing and sales
- Our innovative portfolio fits to Chinese priority crops
- Seed-to-shelf solutions to improve food security
- Focus on sustainable agriculture



# Bayer MaterialScience in China

Sales in Greater China




- State-of-the-art facilities in world-scale format
- €1bn committed for further expansion through 2016
- Polycarbonate headquarters and global R&D center in China
- Local market competence
- Network of downstream facilities to meet customer demand

# Source of Growth



## China is a Key Source of Growth for Bayer

| | Opportunity |
|---|---|
| 1 | Strong economic growth expected to continue |
| 2 | All three subgroups well positioned |
| 3 | Product portfolio addresses fundamental development needs |
| 4 | State-of-the-art local production base in place |
| 5 | Complementing global innovation capabilities with local expertise |

# Our Targets for China Going Forward

- Double sales from €2.9bn (2010) to almost €6bn by 2015
- Maintain or grow leading positions of all subgroups
- €1bn investment committed to double capacities at BISS
- Expand into new markets – drive regionalization
- Build local hubs for innovation

BISS: Bayer Integrated Site Shanghai