



Science For A Better Life



UniCredit German Investment Conference

Alexander Rosar, Head of Investor Relations | Sept 24, 2009



Science For A Better Life

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Bayer's Well-Proven Strategy



- Improve performance
- Improve quality of portfolio
- Develop new growth opportunities
- Deleverage balance sheet

Bayer's Well-Proven Strategy



Improve performance (2009 target)

- Reaffirm ambitious target of limiting the decline in group uEBITDA to approx. -5%. Sales are expected between €31 and 32bn

Improve quality of portfolio

- Strategic investment focus is on HealthCare
- Opportunities in AgBioScience will be explored, MaterialScience system house concept extended

Develop new growth opportunities

- €2.9bn (2009) investment in R&D to continue to build our innovation pipeline
- Strategy for growth in emerging markets in place

Deleverage balance sheet

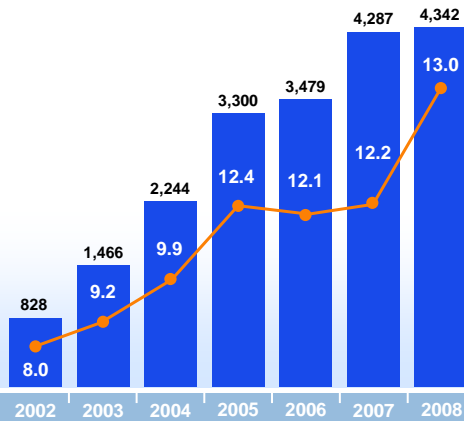
- Target is to reduce net financial debt towards €10bn by year-end 2009

The Success of Bayer's Strategy is Evident



Underlying EBIT in €million

● CFROI in %



Achievements

- Improved underlying EBIT by more than factor 5
- Improved underlying EBITDA-margin from 12% to 21%
- Record returns over cost of capital
- Achieved all group (earnings) targets

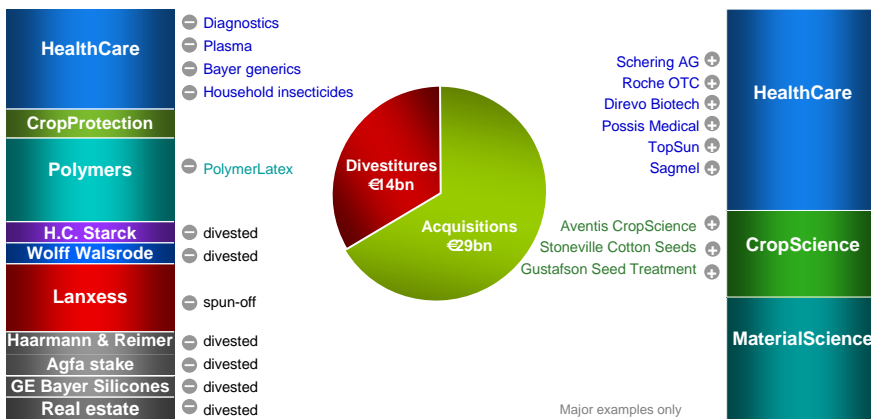
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Seven Years of Increasing Focus for Growth – Transaction Volume > €43bn since 2002



2001 Sales €30.3bn

2008 Sales €32.9bn



Major examples only

Headcount 116,900

Transaction volume

Headcount 108,600

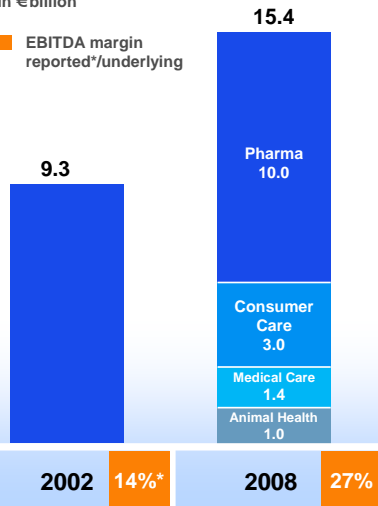
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HealthCare – A Diversified Business Model



in €billion

EBITDA margin reported*/underlying



- Global #6 in specialty pharmaceuticals
- Leading positions in key therapeutic categories
- Underweight in US, overweight in emerging markets
- Outperformed market growth in 2007/2008
- Transformational late-stage pipeline
- Global #2, outpaced market growth in 11 out of last 13 years
- Became #3 in Q1'07, 2008 was the 3rd straight year as fastest growing company
- Global # 3/5, outpacing market growth

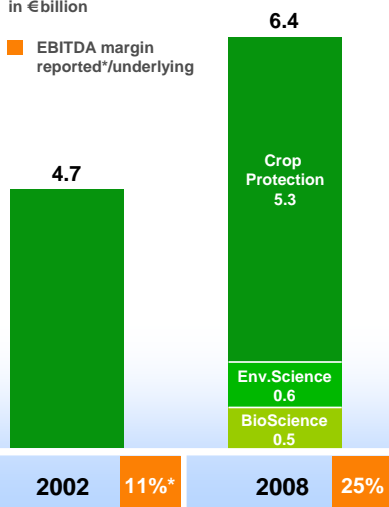
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CropScience – Strategy Driven by Innovation



in €billion

EBITDA margin reported*/underlying



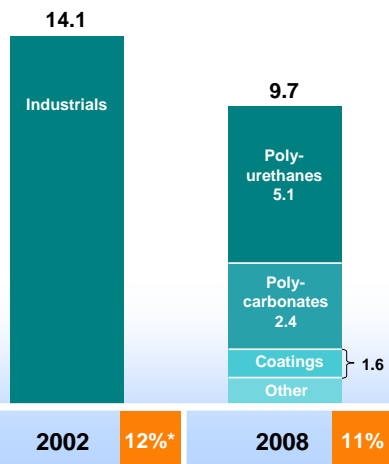
- Global #2, with leading positions in all market segments and regions
- Gained market share in Brazil during 2008, the world's largest agchem market
- Proven track record of innovation – launched 21 new active ingredients since 2000
- Global #1, extends the Crop Protection active ingredients' life cycle
- Hybrid canola #1, cotton #1, hybrid rice and vegetables #4
- LibertyLink trait technology also available in soybean and corn

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MaterialScience – A Genuine Market Leader



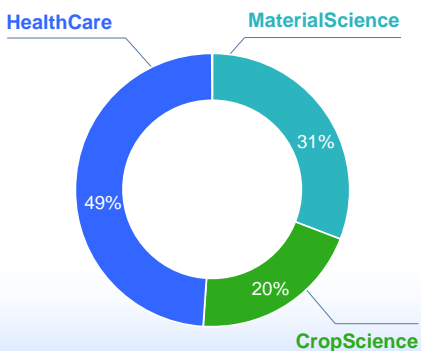
in €billion ■ EBITDA margin reported*/underlying



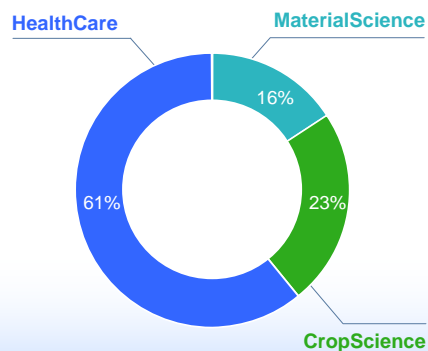
- Global #1 in all business segments
- Focus is on fast-growing isocyanates and polycarbonates
- Long-term fundamental growth drivers remain intact
- Earned attractive returns over cost of capital between 2004–2008
- Short-term challenges are addressed
 - ▶ Restructuring programs accelerated and expanded
 - ▶ Temporary plant shut-downs
 - ▶ CapEx budget trimmed

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The New Bayer – A Leader in Its Markets



Sales 2008: €32.9bn



Underlying EBITDA 2008: €6.9bn

Life Sciences Account For ~70% of Sales And ~85% of Underlying EBITDA

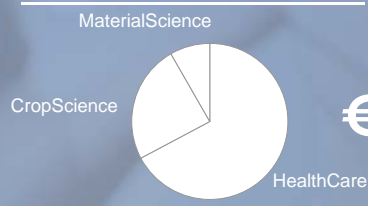
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Break-down excluding reconciliation



Innovation Pipeline Progresses Dynamically

R&D Budget 2009



Key Pharma Pipeline Assets Hold Significant Promise



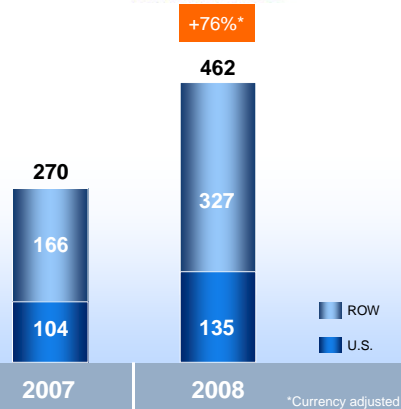
	What it does	What it is / could be used for	Status
Nexavar	inhibits enzymes important for tumor growth	cancer treatment	launched > 200 trials ongoing
Xarelto	inhibits blood clot formation	treatment of diseases caused by blood clots	1st indication launched/ filed; phase III
Riociguat	lowers blood pressure in the lung	treatment of high blood pressure in the lungs	phase III
VEGF Trap-Eye	inhibits formation of new blood vessels	various eye diseases	phase III
Regorafenib	inhibits enzymes important for tumor growth	cancer treatment	phase II

Nexavar: A Franchise Building Opportunity



Sales in € million


Nexavar®
(sorafenib) tablets



- Dual-targeted mechanism – antiangiogenic and antiproliferative
- First targeted therapy in kidney cancer (RCC)
- Leadership advantage in liver cancer (HCC) – only approved drug with overall survival benefit in HCC
- Approved in >90 countries for RCC, >80 countries for HCC
- Peak sales potential in approved indications of RCC and HCC combined ~EUR 750 million
- > 200 active trials exploring potential i.e., adjuvant RCC and HCC; lung cancer, thyroid and breast

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Nexavar - Upcoming Newsflow



- Phase II breast cancer combination w. capecitabine at ECCO / ESMO, Sept. 23
- Start of Phase III breast program probably Q1 2010
- Start of Phase III thyroid cancer program expected still this year


Nexavar®
(sorafenib) tablets

More Than 200 Active Trials Exploring Nexavar's Potential

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Nexavar – First Phase II Breast Cancer Study Results Reported



- Combination Capecitabine ± Nexavar tested in phase IIb in HER-2 negative, locally advanced or metastatic breast cancer
 - study (SOLTI-0701) is double-blind, randomized, placebo controlled
 - 229 patients (first and second line)
- Combination of Nexavar + Capecitabine significantly improved median progression-free survival by 74% vs. Capecitabine + Placebo (6.4 months vs. 4.1 months; HR=0.567, p=0.0006)*
- Breast cancer is the most commonly diagnosed cancer in women
 - ~ 200,000 new cases / year in the US and ~ 430,000 new cases / year Europe
 - ~ 75% of breast cancers are HER-2 neg. cancers
- Next steps for path forward in breast cancer indication currently evaluated

*reported at ECCO/ESMO September 23, 2009

Xarelto Target Indications With High Unmet Medical Need

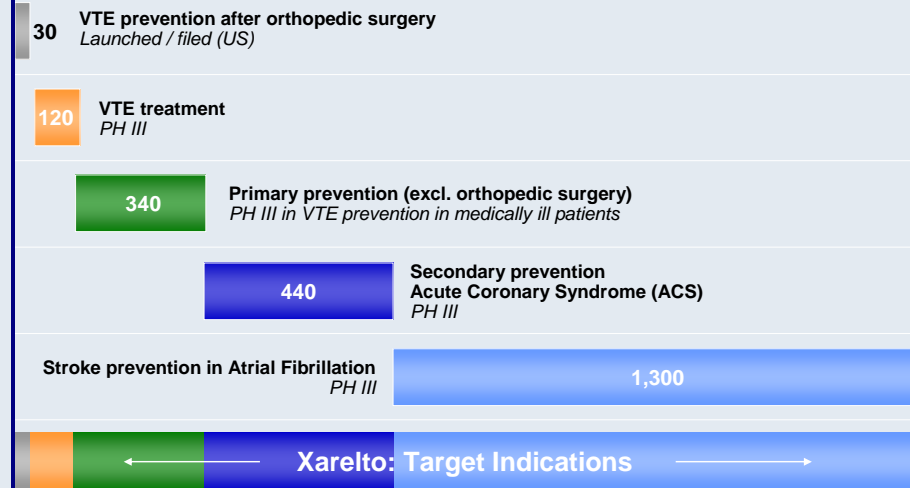


- Thromboembolism is the single largest cause of morbidity and mortality in the Western world
- In the US, VTE affects almost 1 million people each year and is responsible for more deaths each year than breast cancer, HIV disease, and motor vehicle crashes combined
- VTE is the third most common cardiovascular disease in the Western world, and contributes to around 10% of hospital deaths
- Almost all of the hospital deaths resulting from pulmonary embolism are preventable

Xarelto And The Market For Anticoagulants



Estimated treatment days in 2007* (in millions)



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*Sources: PADD5, IMS Midas, BAYER estimates
Decision resources

Late-Stage Development Program For Xarelto in Five Indications is on Track



Market	Study	Facts	Phase II	Phase III	Filing
Acute Indications	RECORD	>12,500 patients vs. standard therapy (enoxaparin)	VTE prevention after orthopedic surgery		✓
	MAGELLAN	~8,000 patients vs. standard therapy (enoxaparin)	VTE prevention in medically ill patients		2011e
Chronic Indications	ENSTEIN	~7,500 patients vs. standard therapy (enoxaparin & warfarin)	VTE treatment and secondary prevention		2010e
	ROCKET AF	~14,000 patients non-inferiority vs. standard therapy (warfarin)	Stroke prevention in atrial fibrillation		2010e
	ATLAS	up to 16,000 patients in addition to standard therapy	Secondary prevention ACS		2011/ 2012e

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Xarelto – Upcoming Newsflow



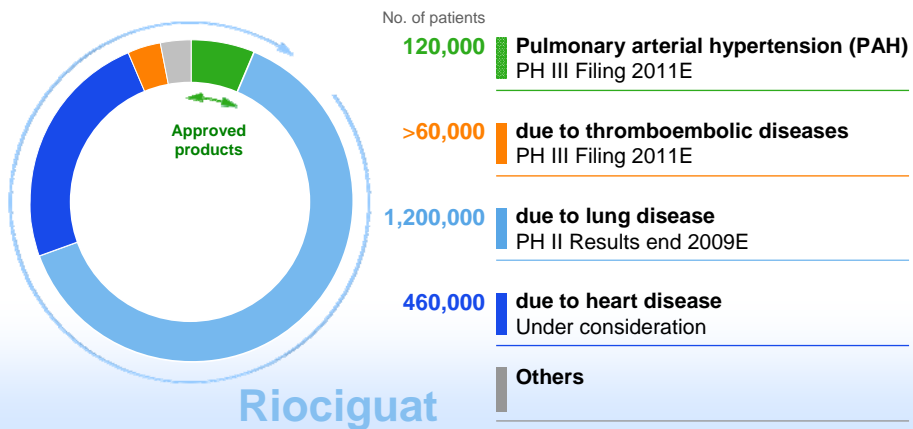
- Presentation of trial data from EINSTEIN extension, target conference is ASH, Dec. 2009
- Submit complete response to FDA, Q4 2009, at the earliest



Riociguat – An Emerging Treatment For Pulmonary Hypertension



Pulmonary hypertension encompasses multiple disease subtypes. Currently treatments are only indicated for pulmonary arterial hypertension (PAH).



Riociguat: Major Clinical Studies



Study	Facts	Phase I	Phase II	Phase III	Filing
PATENT-1 / -2	~ 460 patients (treatment-naïve or pre-treated) vs. placebo (PATENT-1); Efficacy study and long-term extension	Pulmonary Arterial Hypertension			2011e
CHEST-1 / -2	~ 270 patients vs. placebo (CHEST-1); Efficacy study and long-term extension	Chronic Thromboembolic Hypertension			2011e
NCT00694850 (PH with ILD)	~ 20 patients (PH with interstitial lung disease - ILD) proof-of-concept; efficacy and dose-finding	PH with ILD			tbd.
NCT00640315 (PH with COPD)	~ 20 patients (PH with chronic obstructive pulmonary disease - COPD) Single-dose hemodynamic study	PH with COPD			tbd.

ILD: Interstitial Lung Disease; COPD: Chronic Obstructive Pulmonary Disease

VEGF Trap-Eye: Potential New Treatment For Wet Age-Related Macular Degeneration



- Wet age-related macular degeneration (wet AMD) is the leading cause of blindness in the elderly
- Abnormal growth of blood-vessels in the eye as underlying disease mechanism
- Approx. 1.5 million patients annually in the US
- Anti-VEGF therapy has become a validated treatment option



VEGF Trap-Eye: Clinical Program Expanded to Additional Eye Diseases



- VEGF Trap-Eye is a novel anti-VEGF therapy with high binding affinity for all forms of VEGF-A and placental growth factor
- Potential for differentiation from current standard of care
- Phase III program (VIEW 1 & 2) in wet AMD in collaboration with Regeneron underway
- Additional vascular eye diseases explored
 - Phase III program in central retinal vein occlusion (CRVO) initiated
 - Phase II program in diabetic macular edema (DME) underway

Initial Data From The VIEW Program Could be Expected End of 2010

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Regorafenib (DAST-Inhibitor): A Novel Anti-Cancer Compound



Kidney Cancer (RCC)

- Phase II, open-label study in kidney cancer with regorafenib (160 mg) administered once daily on a three weeks on/one week off schedule (n=49)
 - 31% partial response (PR, RECIST)
 - 50% stable disease (SD) rate

Colorectal Cancer (CRC)

- Phase I dose-finding study in patients with advanced colorectal cancer (n=38)
 - 74% disease control rate in evaluable patients

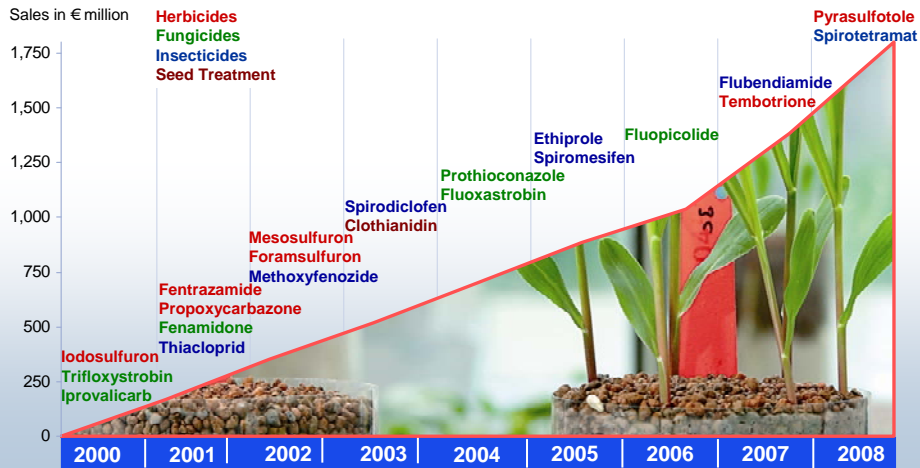
- Regorafenib is an orally active multikinase inhibitor
- Distinct profile targeting angiogenic, stromal, and oncogenic receptor tyrosine kinases
- Potential for clinical differentiation from other VEGF-receptor inhibitors
- Phase III development program planned to be initiated in early 2010

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CropScience – Proven Track-Record of Innovation



21 new active ingredients launched since 2000



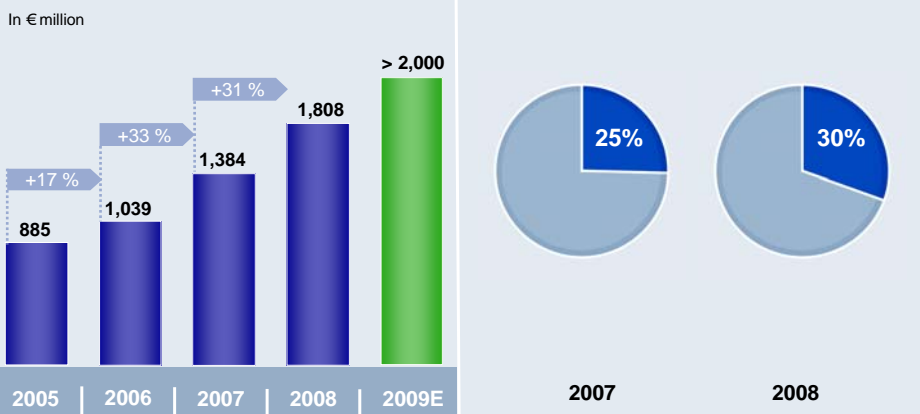
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CropScience Targets €2bn New Product Sales in 2009 – Two Years Earlier Than Originally Planned



Sales of new active ingredients (A.I.s)

Share of new A.I.s in agchem sales*



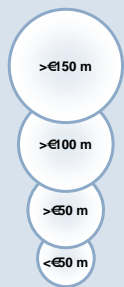
Agchem sales: include Crop Protection and Environmental Science, exclude BioScience business
* Crop Protection only: 28.5% in FY07, 33.5% in FY08

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CropScience – Attractive AgChem Pipeline to Foster Future Growth

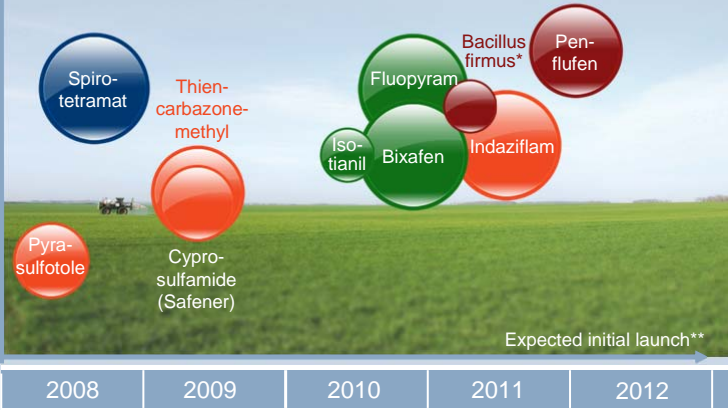


Peak sales potential



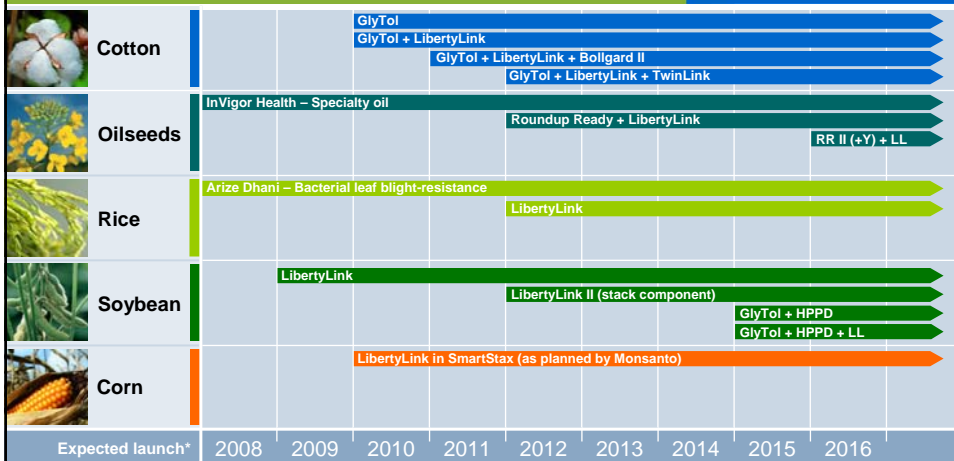
- Herbicides
- Fungicides
- Insecticides
- Seed Treatment

Peak gross margin



▶ Combined peak sales potential upgraded to about €1.25 billion

Well-Filled Traits Pipeline in BioScience



▶ Combined incremental peak revenue potential of about €500 million

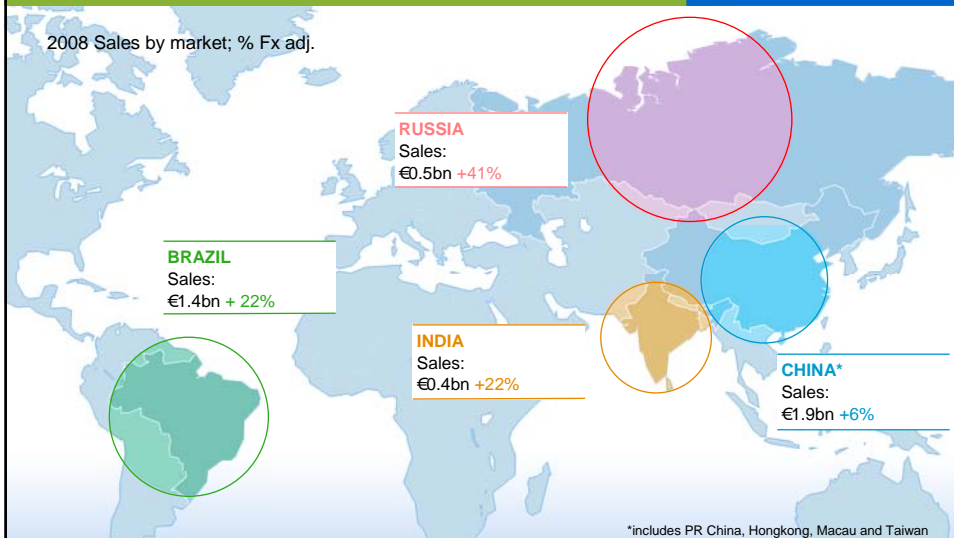
BRIC: Market leading positions in fast growing markets



BRIC Countries – Bayer is Well Positioned And Capturing Significant Growth



2008 Sales by market; % Fx adj.



*Includes PR China, Hongkong, Macau and Taiwan

China Has Become Our 3rd Biggest Market Within Only a Couple of Years



All growth rates are Fx-adj.
Greater China includes PR China, Hongkong, Macau and Taiwan
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Business well positioned

- #1 international Healthcare company growing +41% in 2008
- Market leader in CropScience gaining share
- MaterialScience is one of the major polymer companies

Significant investment commitment

- Bayer's largest fully integrated polymer site
- TopSun – acquisition of domestic OTC business
- Infrastructure investments incl. marketing & sales to now >7,800 employees

FY'09 Outlook



Reaffirm ambitious target of limiting the decline in group uEBITDA to approx. -5%

HealthCare – On Track Towards 2009 Targets



H1 2009

- Strong top (+6%) and bottom line performance lifting uEBITDA by 6%
- Consumer Health business gained momentum in Q2 after inventory reductions and softer demand at the beginning of the year
- Pharma with continued growth (+7%)

Outlook

- Targeting above market growth in all divisions and to improve uEBITDA-margin towards 28%
- Rich pipeline news flow expected over the next couple of quarters

CropScience – Record First Half, Modest Start Into Q3



H1 2009

- After a record 2008, agchem stocks in the distribution channels have been very low, leading to strong Q1 sales in the industry and at Bayer
- Globally less favorable growing and weather conditions deteriorated growth dynamics during Q2
- H1: Sales expanded 5% driven by North America and Asia Pacific, uEBITDA up 2%

H2 Trends & Outlook

- Moderate start into Q3 – unfavorable weather, late start of the season in Argentina, drop of demand in US
- FY outlook of uEBITDA-margin of about 25% now appears ambitious
- Long-term fundamental growth drivers remain fully intact

MaterialScience – Unprecedented Drop in Demand, Recovery Continuing



H1 2009

- Q1: Unprecedented drop in demand (volumes -33%, prices -5%); uEBITDA of -116m
- Q2: First signs of sequential recovery in demand (volumes +24% qoq), lower selling prices (-9% qoq) overcompensated by lower raw material costs and savings; uEBITDA +121m
- Acted fast and decisively: Capacities mothballed, restructuring accelerated, first permanent plant closures announced

H2 & Outlook 2009

- Recovery of demand continuing, led by Asia. Selling prices stabilizing, further price increases announced
- Confidently confirm Q3 outlook of positive uEBITDA

2009 Financial Outlook



Group

Reaffirm ambitious target of limiting the decline in Group underlying EBITDA to approx. -5%

CapEx approx. €1.4bn

R&D spending about €2.9bn

Net debt reduction towards €10bn (before portfolio changes)

Subgroups

■ HealthCare - confirmed

Sales growth above market and improvement of underlying EBITDA margin towards 28%

■ CropScience - updated (Sept. 2009)

Underlying EBITDA margin in the range of 25% has to be considered as ambitious

■ MaterialScience - updated

Q3: Positive underlying EBITDA

The New Bayer – Clear Strategy, Ambitious Targets, Focus is on Execution



- Active portfolio management: transaction volume >€43bn
- Strategic investment focus is on HealthCare: more than €20bn to grow the business to almost 50% of group sales
- Increased underlying EBIT from €828m in 2002 to €4.3bn in 2008
- Delivered on commitments and achieved financial targets
- Solidly financed – no short-term refinancing need
- Intend to pay-out 30–40% of Core EPS as dividend
- 2009 group outlook reiterated



Reporting Events and AGM



Date	Event	Publication
Tuesday, October 27, 2009	Investor Conference Call	Third Quarter Results Stockholders' Newsletter
Friday, February 26, 2010	Investor Conference Call	Full Year 2009 Results Annual Report
Thursday, April 29, 2010	Investor Conference Call	First Quarter Results Stockholders' Newsletter
Friday, April 30, 2010	Annual General Meeting	
Thursday, July 29, 2010	Investor Conference Call	Second Quarter Results Stockholders' Newsletter
Thursday, October 28, 2010	Investor Conference Call	Third Quarter Results Stockholders' Newsletter

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