



**Science For A Better Life**



**Investor Handout  
FY'08**

# Important Information



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](http://www.bayer.com). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.



## It is now that a long-term perspective counts

- We delivered record performance and achieved our 2008 earnings targets
- We reiterate our successful strategy but, for the time being, prefer to execute with more caution
- We will implement all necessary measures without jeopardizing the long-term sustainability of the business
- We are relatively confident for 2009, but see a higher degree of uncertainty than usual

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## FY 2008 – Bayer Continues on a Path of Growth

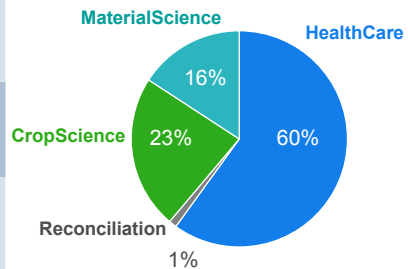


### Key Figures

### Underlying EBITDA by Subgroup

In € million, Δ% y-o-y

	Sales	EBITDA*	EBIT*	Core EPS
	32,918	6,931	4,342	€4.17
Δ%	+ 2%	+ 2%	+ 1%	+ 10%
Δ% Adj. **	+ 4%			



\* Before special items

\*\* Currency & portfolio adjusted

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## 2008 Performance Again Shows Strong Trend Towards Targets

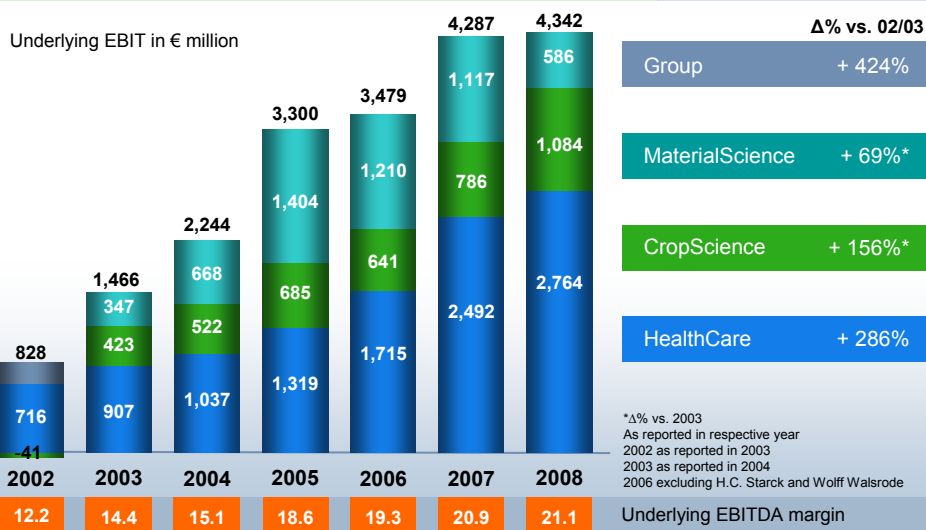


	Objective	2008	
HealthCare	Sales* growth at or above market	+6.9%	achieved
	Improve margin** towards 27%	27.0%	achieved
CropScience	Sales* to grow well over 10%	+13.9%	achieved
	Improve margin** to approx. 25%	25.1%	achieved
MaterialScience	Good volume growth	-8%	missed
	Value creating, margin** >10%	11.2%	achieved
Group	Sales* growth above 5%	+4.4%	slightly short
	Underlying EBITDA above 2007	+2.3%	achieved
	Margin** slightly up	+20bp	achieved

\* Currency & portfolio adjusted  
 \*\* Underlying EBITDA-margin

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## Delivered Consistent Performance and Achieved All Earnings Targets

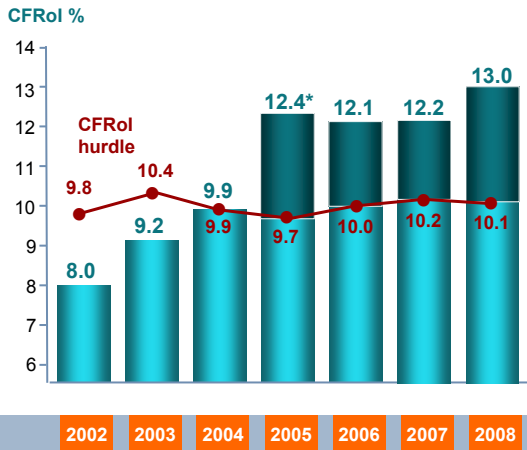


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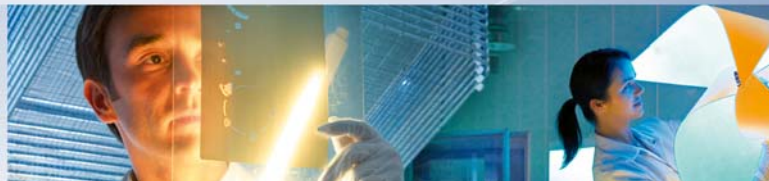
# Record Returns Over Cost of Capital



## Value Generation in 2008



- CVA of €1,246bn
- All subgroups exceeded their target returns
- CFRoI is the ratio of gross cash flow to capital invested (€40.9bn)
- CFRoI hurdle (10.1%) is the minimum return required to cover cost of capital and reproduction of depletable assets
- Group WACC at 7.5%

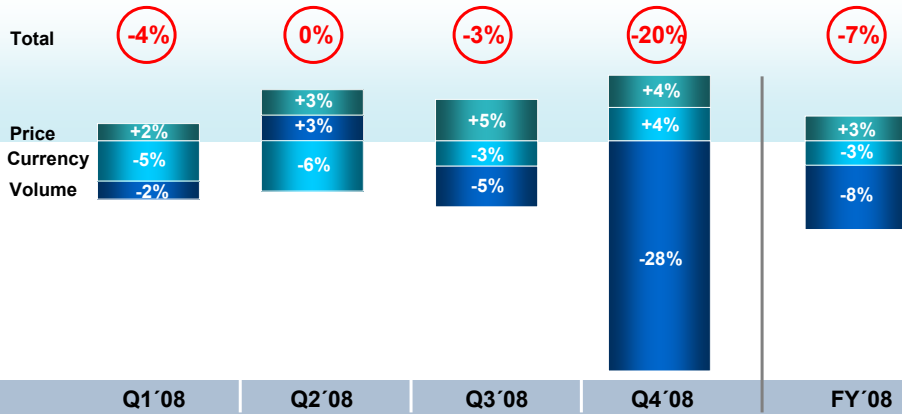


- Unprecedented drop in demand at MaterialScience

## Economic Crisis – Unprecedented Drop in Demand at BMS in Q4'08



Change in sales year-on-year

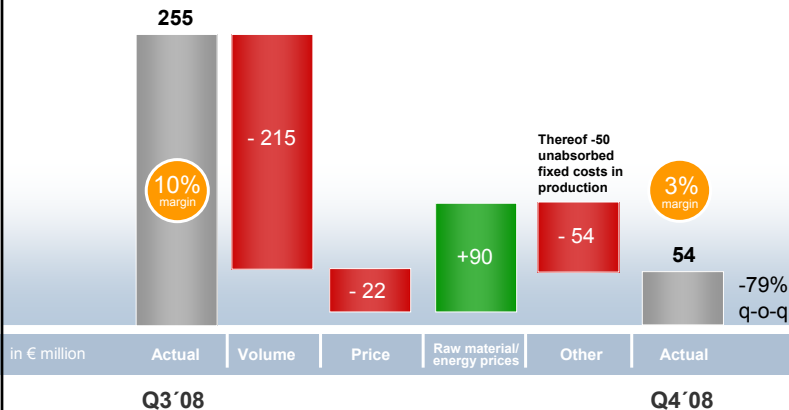


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## Q4'08 – Earnings Down on Lower Volumes at MaterialScience



Underlying EBITDA in € million



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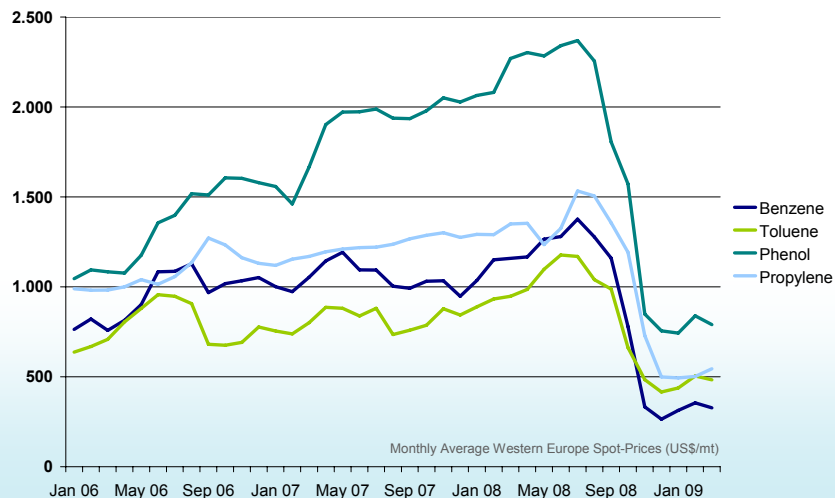
## MaterialScience: Amidst an Economic Recession



- Almost no forward visibility
- Weaker demand
- Very low level of order entries
- Many customers order on confirmed sales only
- Capacity utilization in PUR ~70% and in PCS ~50%
- Entire industry is destocking and optimizing inventory levels
- Raw material prices highly volatile and currently at depressed levels

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## Raw Material Prices Highly Volatile and Currently at Depressed Levels



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## MaterialScience: Deep Uncertainty Among Key Customers



### Chemicals

### Others

(sports, leisure, footwear packaging, medical, etc.)

„Not optimistic for 2009: exports -20%, domestic market down 5-10%“  
Customer in China

### Furniture/ Wood

„We only place orders if we have firm customer orders ourselves“  
Customer in NAFTA



### Automotive

„We’ve shut down operations and laid off people. Our production rate is down 50-70%“  
Customer in Europe

### Electro/ Electronics

„Appliance sales in 2009 will decline. China could be least affected within APAC due to ‚Appliance goes suburban‘ government policy“  
Customer in APAC

### Construction

„Banks have to lend again in order to restart the housing market. MDI demand in 2009 will be -20%“  
Customer in NAFTA

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2008 Bayer MaterialScience sales by industry

## Acting Fast and Decisive – Comprehensive Set of Counter Measures Already in Place at BMS



- Running restructuring program accelerated and expanded
- Short-term cost containment measures in place
- Additional ~€50m of savings in 2009 (not sustainable)
- Temporary reduction of working hours and salary
- Adjusted production output through extended plant maintenance and temporary plant shut-downs (mothballing):
  - PCS – 300kt mothballed in Q1’09
  - MDI – 160kt mothballed in Q2’09
  - TDI – 100kt mothballed in Q4’08
- CapEx budget trimmed, investments reduced to strategic projects only
- Business is run on cash focus

Prepared for more drastic measures if necessary

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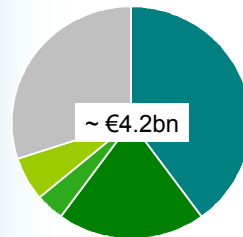


## Current Petrochemical Prices Lower Raw Materials Bill by ~€1bn in 2009



- Petrochemical feedstock prices have strongly declined in past 6 months
- Assumptions based on \$52/bbl average crude oil price in **2009**
- Further relief from lower raw material and energy prices expected sequentially in **Q1'09**
- Raw material price decline could relieve EBIT by >€1bn in **2009**

### Cost split 2008



#### Exposure by value

- Benzene (incl. phenol, aniline, styrene)
- Propylene oxide
- Toluene
- Other petrochemical feedstock
- Others

## Capitalize on Global Market Trends and Spur Future Growth



#### Scarce resources

- Energy savings
- Lightweight construction



#### Climate change

- Energy efficiency
- Fuel efficiency



#### Mobility

- Lightweight transportation



#### Growing wealth

- Increasing living standards
- Demand for entertainment

#### MaterialScience contributions

- Building insulation
- Insulation along the cold chain
- Lightweight roofing
- Materials for solar modules
- Lightweight materials for cars
- Waterborne Coatings
- Automotive glazing
- Foam mattresses
- Blends for electro/electronic housing
- PCS sheets in large-frame screens

Major product examples only



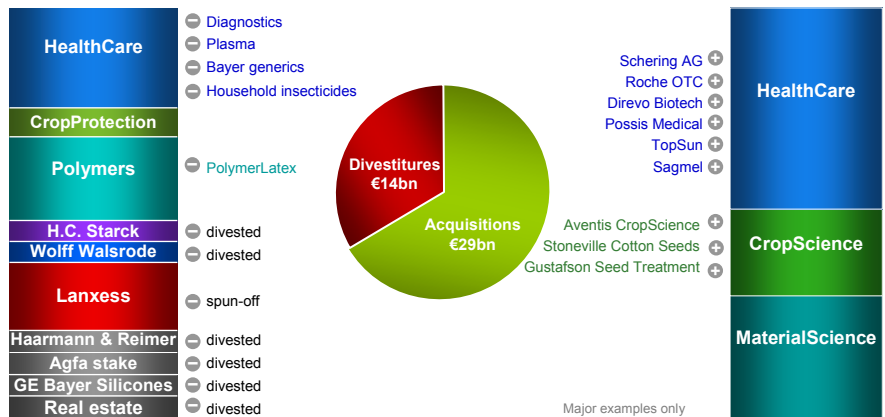
■ In challenging times a long-term business strategy counts

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



2001 Sales €30.3bn

2008 Sales €32.9bn



Headcount 116,900

Transaction volume

Headcount 108,600

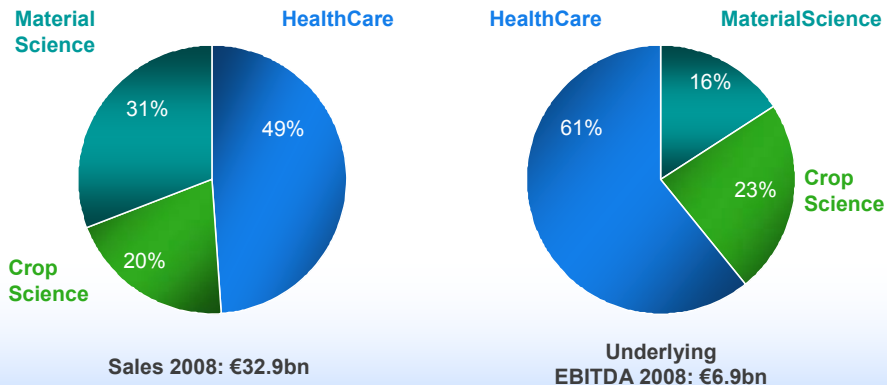
# Bayer's Strategic Investment Focus Is on HealthCare



Focus	Rationale	Historic examples
Global Pharma / Consumer	Strengthen HealthCare	Schering Roche OTC
Product purchases / pipeline / technologies	Round-up portfolio	Citracal Amikacin Inhale Recothrom VEGF Trap-Eye Maxygen Hematology Direvo Biotech
HealthCare adjacencies	Leverage expertise, capabilities and platforms into new business areas	Possis Medical
Emerging markets	Exploit above-average growth opportunities	Sagmel TopSun

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## A Resilient Business Model



Life Sciences account for ~70% of sales and ~85% of underlying EBITDA

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Break-down excluding reconciliation

# In Challenging Times a Long-Term Business Strategy Counts



## Strategy

Reiterated

- Strengthen HealthCare
- Develop new growth opportunities
- Deliver performance
- Maintain/regain credit ratios which support a single A rating category
- Dividend policy unchanged

## Execution

More Cautiously

- Focus more on organic growth
- No cut in R&D spending, M&S to support new product introductions
- Restructuring actions to be implemented without jeopardizing long-term sustainability
- Free cash to be used with priority to reduce debt
- CapEx will be lowered (at MaterialScience)

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- Innovation pipeline progresses dynamically

# Xarelto Potential: High Unmet Medical Need



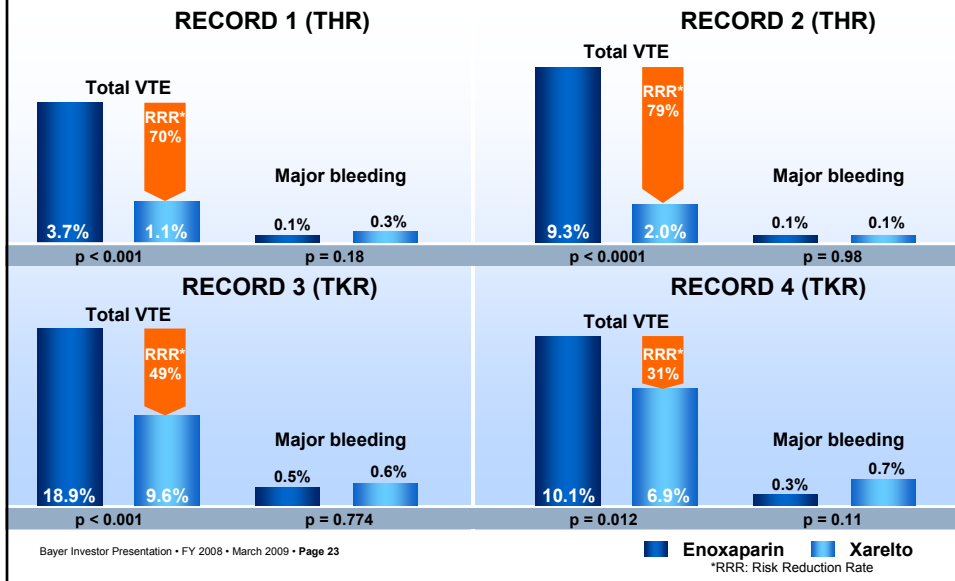
- Thromboembolism is the single largest cause of morbidity and mortality in the Western world
- In the US, VTE affects almost 1 million people each year and is responsible for more deaths each year than breast cancer, HIV disease, and motor vehicle crashes combined
- VTE is the third most common cardiovascular 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

# Comprehensive Late-Stage Development Program for Xarelto in Place



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

# Xarelto Consistently Demonstrated Superior Efficacy Compared to Enoxaparin

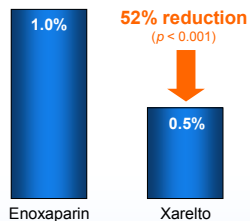


## Pooled Analysis of RECORD 1 – 4 Confirms Excellent Clinical Profile of Xarelto



### Primary efficacy outcome\*

Symptomatic VTE + all-cause mortality



### Major bleeding\*



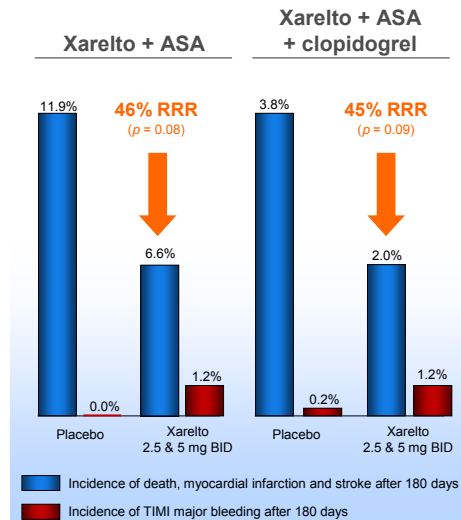
- RECORD 1 - 4 was the largest ever trial program of an oral anticoagulant in the prevention of venous thromboembolism (VTE) after major orthopedic surgery.
- ~12,700 patients randomized
- Pre-specified pooled analysis confirmed results of the four individual RECORD studies
- Xarelto significantly reduced the incidence of symptomatic VTE and all-cause mortality.
- Rates of major bleeding were low and statistically not different in the Xarelto and enoxaparin groups.

\*) Day 12±2 head-to-head treatment pool

## Xarelto May Add Clinical Benefit On-top of Anti-Platelet Therapy in ACS



- Phase II dose-finding trial investigating Xarelto daily doses of 5-20 mg in addition to anti-platelet therapy in 3,500 patients for 6 months
- Relative risk reduction on efficacy endpoint for all doses:
  - 21% on the endpoint of death, MI, stroke and severe recurrent ischemia ( $p = 0.1$ )
  - 31% on the endpoint of death, MI and stroke ( $p = 0.028$ )
- Higher bleeding but no treatment arm to be discontinued
- No signal for liver toxicity
- Phase III trial using 2.5 and 5 mg BID doses in addition to anti-platelet therapy in up to 16,000 ACS-patients initiated



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RRR: Relative risk reduction  
ASA: Acetylsalicylic acid  
MI: Myocardial infarction

## Xarelto: Key Milestones Achieved



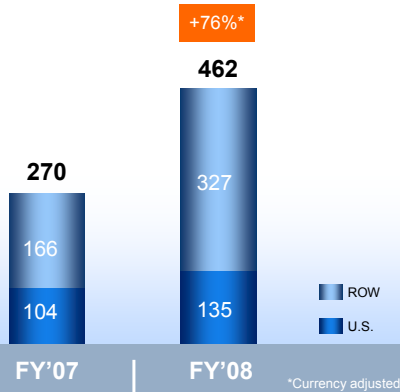
- First approvals and launches in approx. 40 countries including European countries and Canada for VTE prevention after hip and knee replacement surgery
- NDA filing with FDA in July 2008
- Positive opinion of FDA AdCom
- RECORD 1 – 4 pooled data analysis confirms clinical profile
- ACS program accelerated – Phase III started
- Development program on track

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# Nexavar – A Franchise Building Opportunity



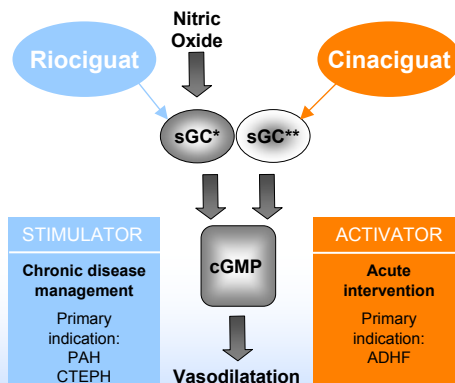
Sales in € million



- First targeted therapy in kidney cancer (RCC)
- Only approved drug with overall survival benefit in primary liver cancer (HCC)
- Fast track designation for HCC approval in Japan
- Phase III in melanoma and in NSCLC underway
- Phase II in breast cancer, colorectal cancer and ovarian cancer
- >200 clinical trials underway to explore the potential

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# Pioneering Research and Development in the Field of Soluble Guanylate Cyclase (sGC)



## Riociguat (sGC stimulator)

- Direct stimulator of soluble guanylate cyclase mediating vasodilatation
- Phase II finished for treatment of pulmonary hypertension performed in patients with PAH and CTEPH
- Phase II in COPD/PH ongoing
- Phase III in PAH and CTEPH initiated
- Estimated launch in 2012

## Cinaciguat (sGC activator)

- Activation of soluble guanylate cyclase mediating vasodilatation
- Phase II development for acute decompensated heart failure
- Start of phase III planned for 1H2010
- Estimated launch in >2012

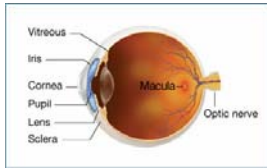
\* native (intact)  
 \*\*heme-free (dysfunctional)

PAH: pulmonary arterial hypertension, CTEPH: chronic thromboembolic pulmonary hypertension, ADHF: acute decompensated heart failure, sGC: soluble guanylate cyclase

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# 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 for wet AMD

- VEGF Trap-Eye is a novel anti-VEGF therapy with high binding affinity for all forms of VEGF-A and placental growth factor
- Development program in collaboration with Regeneron
- Potential for differentiation from current standard of care:
  - Degree of visual gains
  - Less frequent dosing
  - Maintenance of visual acuity gain with as-needed treatment
- Phase III (VIEW 1 & 2) underway to evaluate:
  - Efficacy & safety compared to ranibizumab
  - ~ 2,400 patients to be enrolled
  - 2 year treatment
  - 4 & 8 weeks intervals in year 1, then as needed
  - Potential launch in 2012
- Phase II program in diabetic macular edema (DME) started

# Women's HealthCare Pipeline: Life Cycle Management at its Best



**Valette Plus**  
OC

**YAZ Flex**  
OC

**OC-DHEA**  
OC

**Mirena**  
Menorrhagia (US)

**Qlaira**  
(DUB-OC)  
Dysfunctional uterine bleeding

**E2-DRSP**  
OC

**LCS**  
Contraception

**YAZ**  
Dysmenorrhea

**Visanne**  
Endometriosis

**FC-Patch**  
Contraception

**Angeliq low-low**  
(HRT)

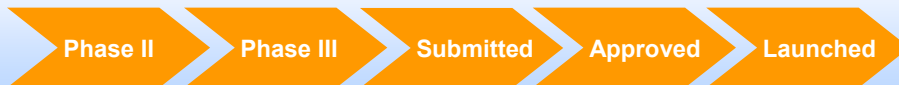
**YAZ / Yasmin Plus**  
OC

**E2/LNG**  
(HRT; Japan)

**Qlaira**  
OC (EU)



Valette, Meliane etc.



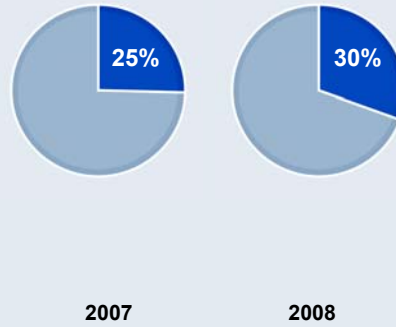
# CropScience Targets €2bn New Product Sales in 2009 – Two Years Earlier Than Originally Planned



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

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

In € million

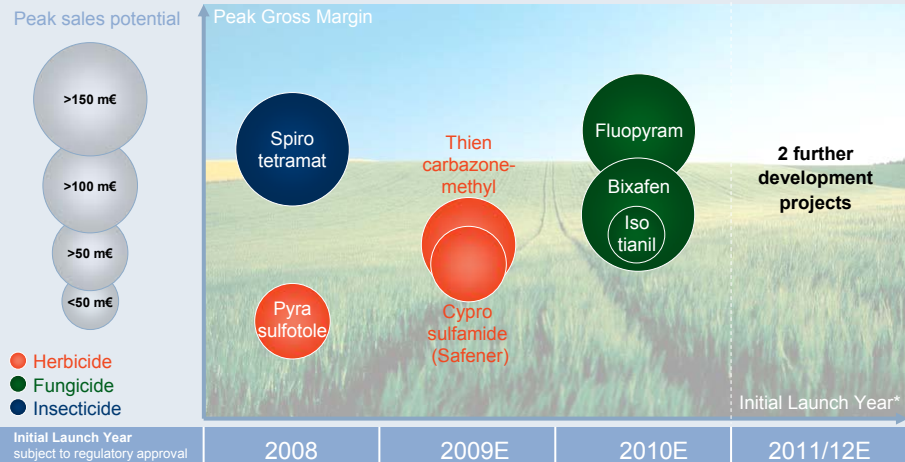


Agchem sales: include Crop Protection and Environmental Science, exclude BioScience business  
 \* Crop Protection only: 28.5% in FY'07, 33.5% in FY'08

# €1bn Peak Sales Potential in Mid-Term Pipeline



## Active ingredients to be launched until 2012



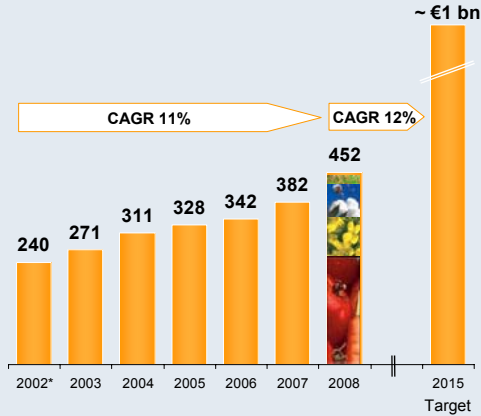
# We Intend to Grow BioScience Sales to About €1bn by 2015







## Accelerate Growth

## CAGR 2002\*-2008

In € million



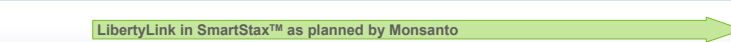
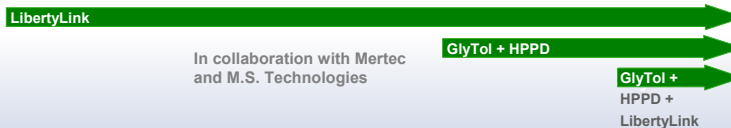
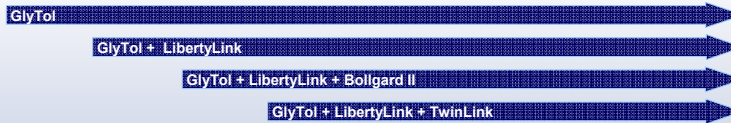
BioScience overall	11 %
 Rice	38 %
 Cotton	25 %
 Canola	21 %
 Vegetables	6 %

\* 2002 sales pro-forma combined sales of Bayer and Aventis CropScience

# New Traits Offer Choices in Weed and Insect Resistance Management



Initial Launch Year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016



GlyTol: glyphosate herbicide tolerance  
 LibertyLink: glufosinate herbicide tolerance  
 HPPD: hydroxy-phenyl-pyruvate dioxygenase herbicide tolerance  
 TwinLink: Double Bt insect resistance  
 Bollgard II: Bt insect resistance; Bollgard II is a registered trademark of Monsanto Technology LLC

## LibertyLink® Technology Available in Key Crops Soybean, Corn, Cotton, Canola



### 2009 US launch of LibertyLink® soybeans technology

More than 85 seed companies have licensed LibertyLink® herbicide-tolerant technology for soybeans to date and will offer new soybean varieties to US farmers in 2009; work continued with key germplasm providers to greatly broaden variety offerings for 2010 and beyond

In 2009, LibertyLink® soybean seed available for approx. 400,000 hectares

Only non-selective alternative to glyphosate-tolerant systems

Comparable yield or yield benefit to current commercial varieties demonstrated in field tests

Fully approved for use in food, feed and cultivation in the US and Canada; import approvals in China, the European Union and other key export markets



**LIBERTY  
LINK**™ 

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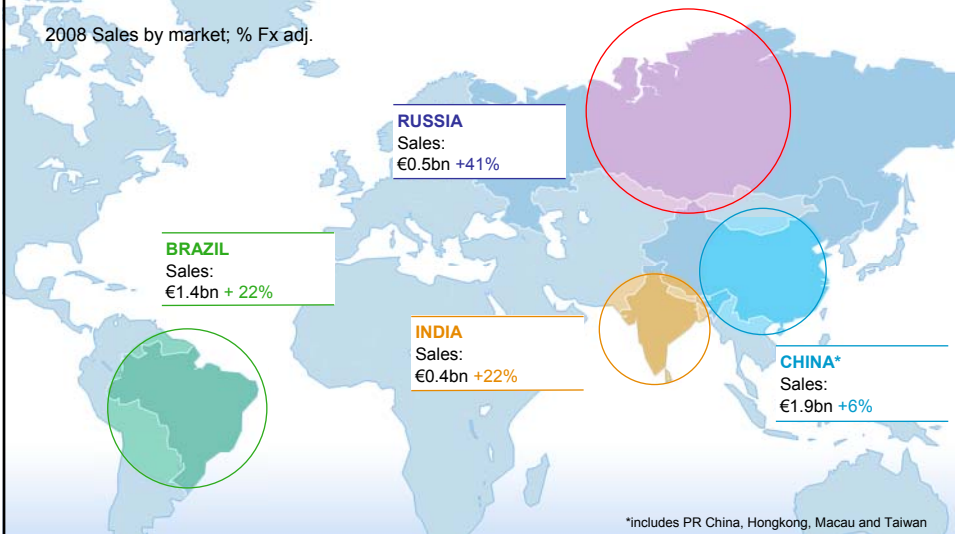


- BRIC: Market leading positions in fast growing markets

## BRIC Countries – Bayer is Well Positioned And Capturing Significant Growth

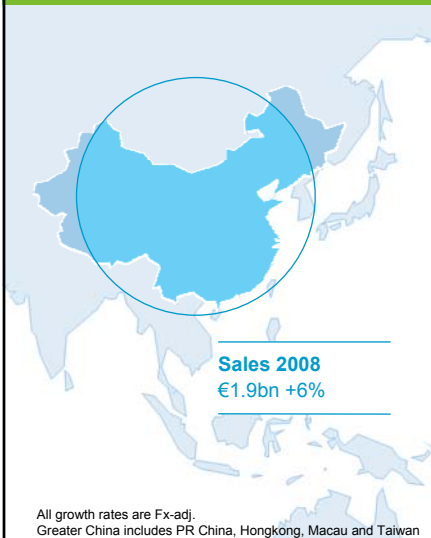


2008 Sales by market: % Fx adj.



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



### 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

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## ■ Outlook

## 2009 Outlook



### Group

#### 1) Continued weakness for MaterialScience

Confident of limiting underlying EBITDA decline to about 5%  
Sales probably at approx. €32bn

#### 2) Tangible economic recovery in short term

Underlying EBITDA at 2008 level or even slight increase

**CapEx** approx. €1.5bn

**R&D** spending about €2.9bn

**Net debt** reduction towards €10bn

### Subgroups

#### ■ HealthCare

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

#### ■ CropScience

Continued growth, underlying EBITDA margin in the range of 25%

#### ■ MaterialScience

Q1: underlying EBITDA below Q4 2008  
Full year: Severe drop in sales and underlying EBITDA

## Reporting Events and AGM



Date	Event	Publication
Wednesday, April 29, 2009	Investor Conference Call	First Quarter Results Stockholders' Newsletter
Tuesday, May 12, 2009	Annual General Meeting	
Tuesday / Wednesday June 2-3, 2009	Meet Management Conference	
Wednesday, July 29, 2009	Investor Conference Call	Second Quarter Results Stockholders' Newsletter
Tuesday, October 27, 2009	Investor Conference Call	Third Quarter Results Stockholders' Newsletter

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