



**Science For A Better Life**



**Cheuvreux  
German Corporate Conference**

**Klaus Kühn**  
CFO, Bayer AG  
January 19-21, 2009

# 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.

## Bayer Has Clearly Defined Its Aspirations

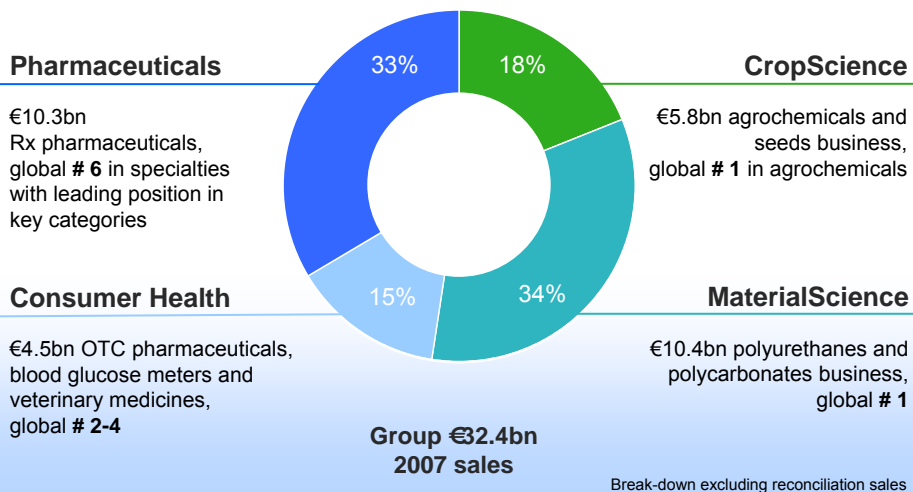


- Focus portfolio on growth and innovation driven businesses
- All businesses are growing at or above market and are capable of achieving benchmark performance
- Strengthen HealthCare and become one of the world's leading diversified HealthCare companies
- Develop new growth opportunities and safeguard the sustainability of the business
- Maintain / regain credit ratios which support a single A-rating
- Outlook 2008 reiterated: higher sales and underlying EBITDA  
Outlook 2009 projects further growth and higher underlying EBITDA

**Bayer follows a clear strategy to deliver against these aspirations**

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## The New Bayer – A Leader in its Markets



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## Bayer's Transformation – A Period of Significant Progress



In €	2002	2007
Sales	29.6bn	32.4bn
EBIT*	828m	4,287m
EBITDA margin*	12%	21%
CFROI	8%	12%

\*pre special items

- 5-fold higher underlying EBIT
- Margin up by 9 percentage points
- Attractive returns over cost of capital
- Achieved all group targets



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## 9M 2008 – Bayer Continues on a Path of Growth

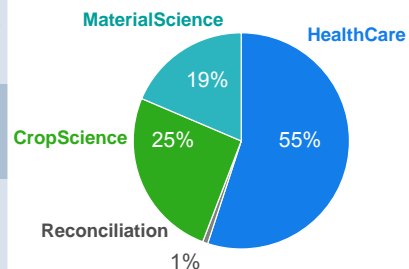


### Key Figures

### Underlying EBITDA by Subgroup

In € million, Δ% y-o-y

	Sales	EBITDA*	EBIT*	Core EPS
	24,995	5,574	3,636	€3.46
Δ%	+ 3%	+ 4%	+ 4%	+ 12%
Δ% Adj. **	+ 7%			



\* Before special items

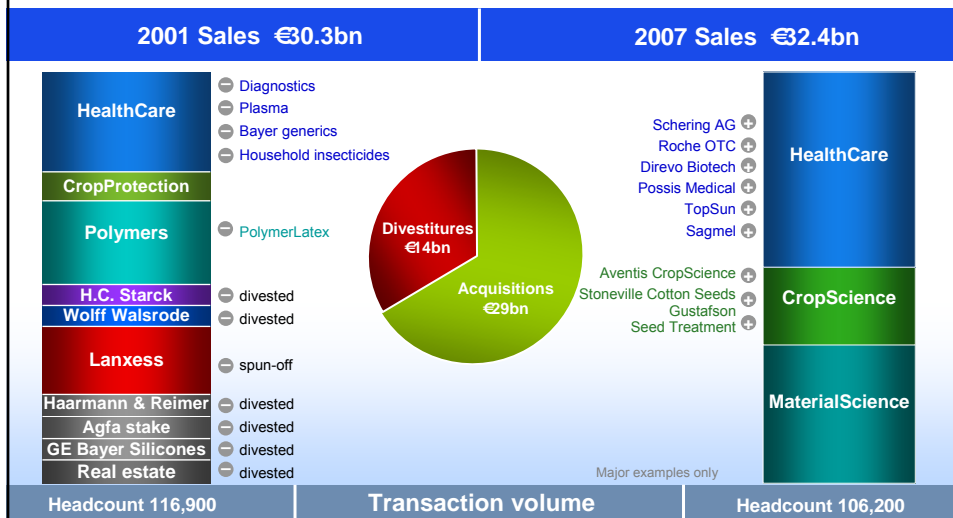
\*\* Currency & portfolio adjusted

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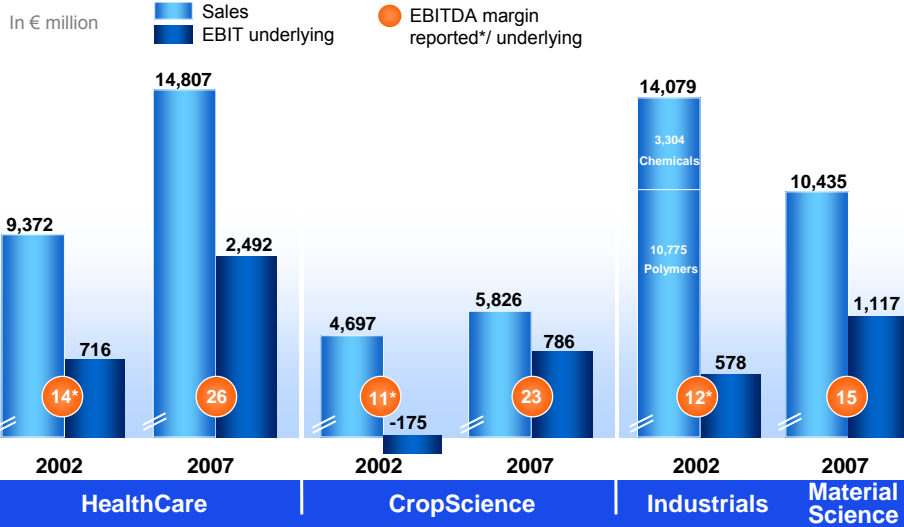
# Bayer is Well Positioned And Investing For Growth



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



## Improved Portfolio and Higher Margins in All Businesses



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## 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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## Powerful Portfolio Management Aiming at Generating Value



### Execution

- Track record of managing large scale transactions successfully
- Integrated Aventis CropScience, Roche OTC and Schering Pharma without business disruptions
- Timelines and synergy targets have been met
- Demonstrated financial discipline

### Financing

- Balanced mix of debt, equity and portfolio if needed
- Maintaining single A credit rating target

### Probable Timing

- Constant monitoring and active approach
- Due to the excellent positions we have built, however, we feel no pressure and can wait for the right opportunity to arise at the right price

## Bayer is Well Positioned And Investing For Growth



M&A

Portfolio Management

Strategic investment focus is on HealthCare

R&D

Organic Growth

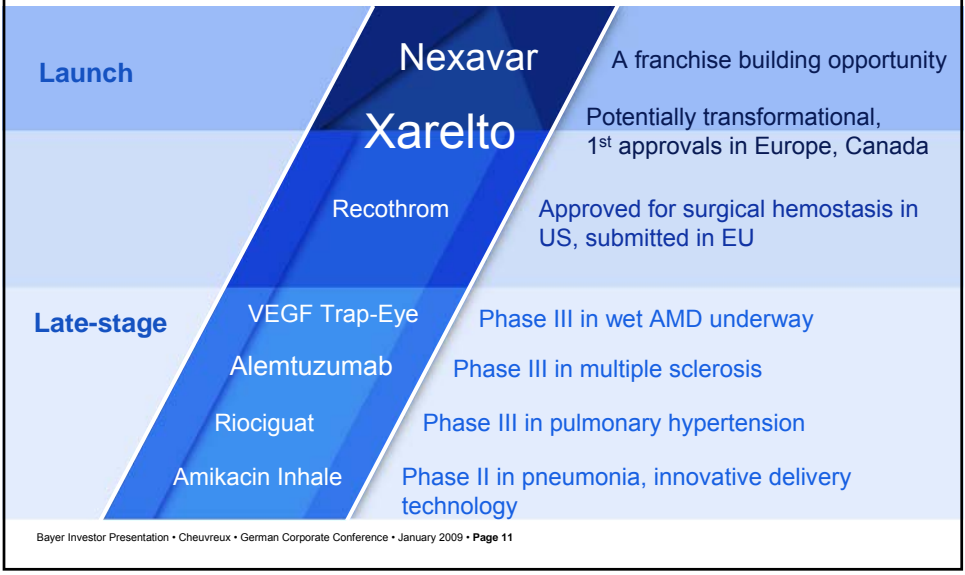
Innovation pipeline progresses dynamically

BRIC

Emerging Markets

Market leading positions in strongly growing markets

# Pharma Pipeline Promises Accelerated Growth After 2009



# Xarelto – Major Achievements in 2008



- **First approvals and launches in Europe and Canada**
- **NDA filing with FDA**
- **RECORD 1 – 4 pooled data analysis confirms clinical profile**
- **ACS program accelerated – Phase III started**



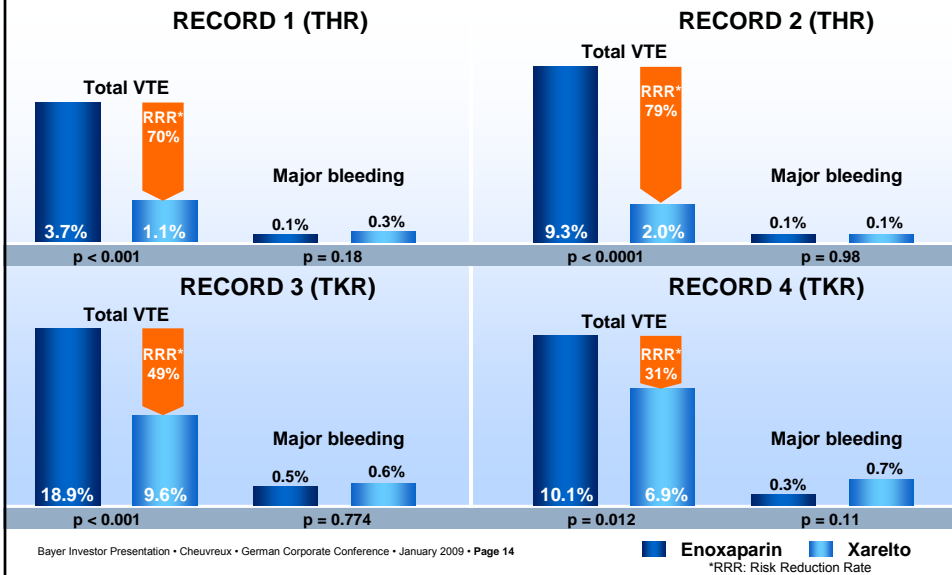
# Comprehensive Late-Stage Development Program for Xarelto in Place



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

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## Xarelto Consistently Demonstrated Superior Efficacy Compared to Enoxaparin



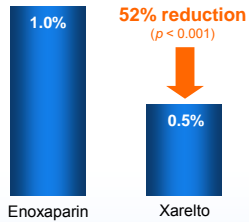
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# Pooled Analysis of RECORD 1 – 4 Confirms Excellent Clinical Profile of Xarelto

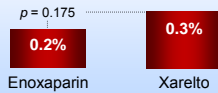


## Primary efficacy outcome\*

Symptomatic VTE + all-cause mortality



## Major bleeding\*



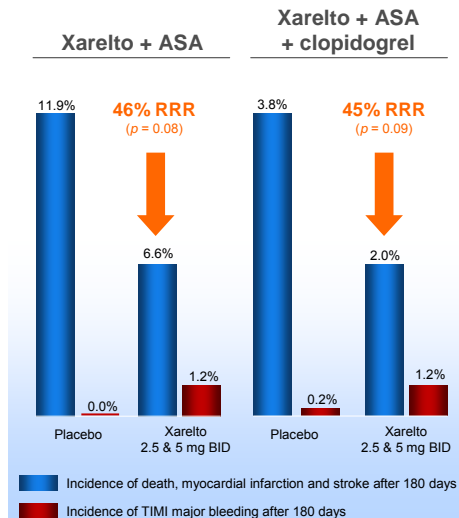
- RECORD 1 – 4 was the largest ever trial program of an oral anticoagulant in the prevention of venous thromboembolism (VTE) after major orthopedic surgery.
- ~12,700 patients randomized
- Pre-specified pooled analysis confirmed results of the four individual RECORD studies
- Xarelto significantly reduced 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



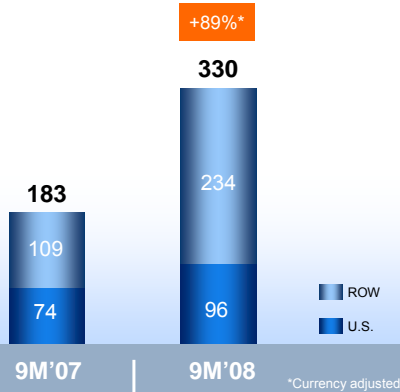
- Phase II dose-finding trial investigating Xarelto daily doses of 5-20 mg in addition to anti-platelet therapy in 3,500 patients for 6 months
- Relative risk reduction on efficacy endpoint for all doses:
  - 21% on the endpoint of death, MI, stroke and severe recurrent ischemia ( $p = 0.1$ )
  - 31% 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



# Nexavar – A Franchise Building Opportunity



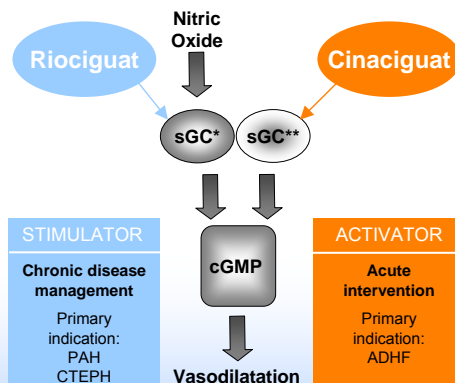
Sales in € million



- 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)

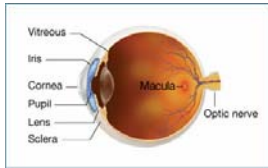
- Activation of soluble guanylate cyclase mediating vasodilatation
- Phase II development for acute decompensated heart failure
- Start of phase III planned for 1H2010
- Estimated launch in >2012

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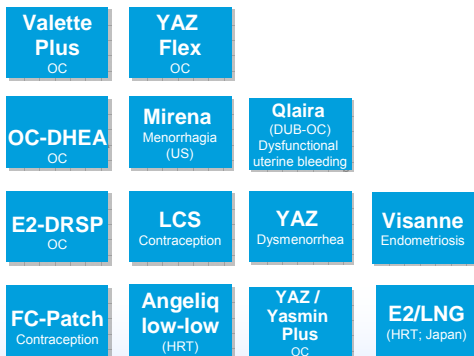
# VEGF Trap-Eye: Potential New Treatment For Wet Age-Related Macular Degeneration



- 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, Meliane etc.

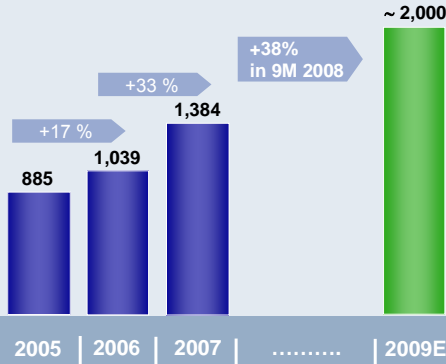


# CropScience Targets €2bn New Product Sales in 2009 – Two Years Earlier Than Originally Planned

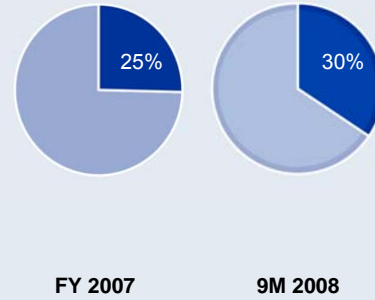


## Sales of new active ingredients (A.I.s)

In € million



## 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

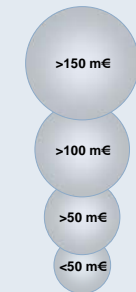
# CropScience Plans to Launch 10 New Active Ingredients until 2012



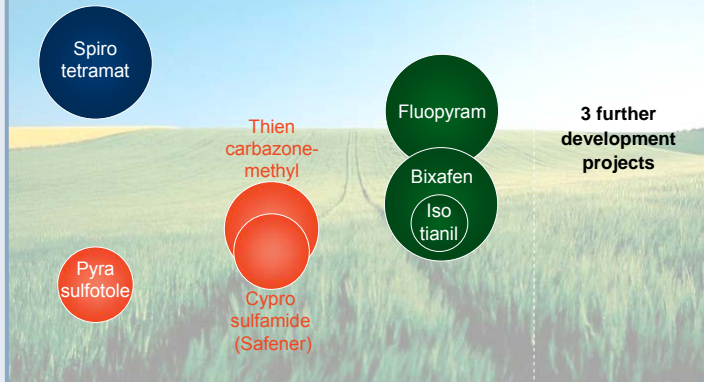
## Combined peak sales potential of more than €1bn

Peak sales potential

Peak Gross Margin



- Herbicide
- Fungicide
- Insecticide



3 further development projects

Initial Launch Year  
subject to regulatory approval

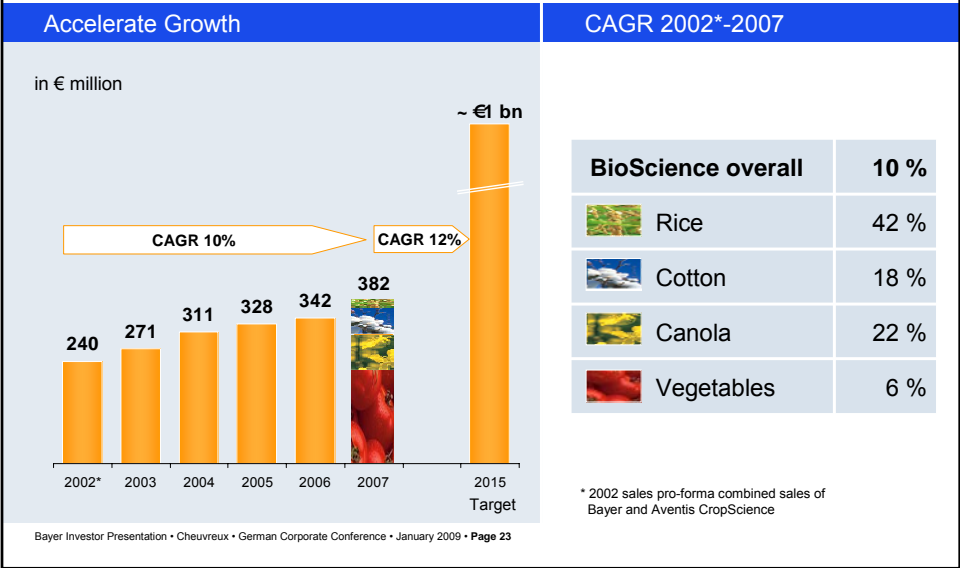
2008

2009E

2010E

2011/12E

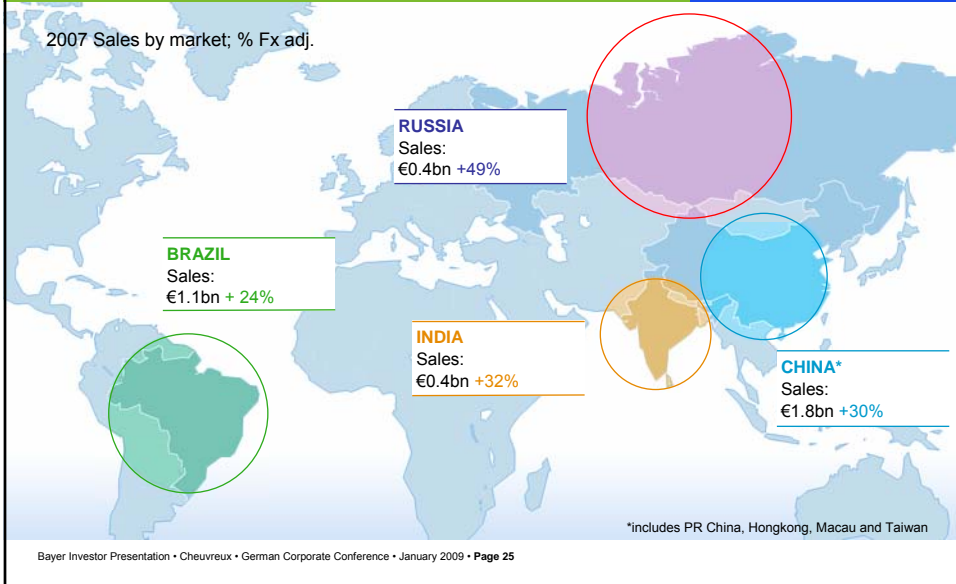
# We Intend to Grow BioScience Sales to About €1 bn by 2015



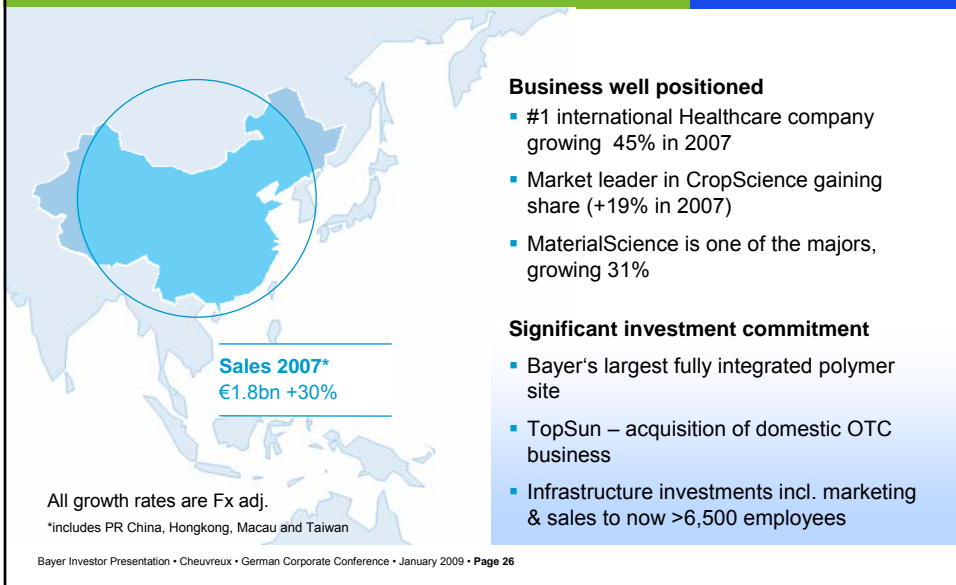
# Bayer is Well Positioned And Investing For Growth



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



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



# Construction of Bayer's Largest, Fully Integrated Polymer Site Under Way



Strengthen our regional competitiveness through local production in China



PUR	PCS	CAS
<b>MDI</b> 80 kt in 2006 (crude MDI splitter) <b>350 kt in 2008*</b> +50 kt thereafter** <b>TDI</b> 250 kt in 2010* +50 kt thereafter**	<b>PCS</b> 40 kt in 2005 (PC compounding) <b>PCS</b> 100 kt in 2006 <b>+100 kt in 2009*</b>	<b>HDI</b> 30 kt in 2006 +20 kt thereafter** <b>Desmodur N</b> 17 kt in 2003/08 <b>25 kt in 2009*</b> <b>Desmodur L/IL</b> 25 kt in 2004/08 20 kt PUD in 2008

\*under construction  
\*\*planned

All numbers are name plate capacities  
Dates refer to availability on stream

BMS sales include PR China, Hongkong, Macau and Taiwan

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■ Q3'08 – Bayer continues on a path of growth



# Q3 2008 – Bayer Continues on a Path of Growth

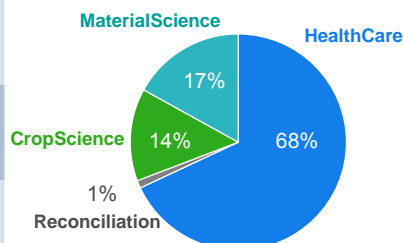


## Key Figures

## Underlying EBITDA by Subgroup

In € million, Δ% y-o-y

	Sales	EBITDA*	EBIT*	Core EPS
	7,948	1,493	891	€0.85
Δ%	+ 2%	- 4%	- 7%	+ 5%
Δ% Adj. **	+ 5%			



\* Before special items

\*\* Currency & portfolio adjusted

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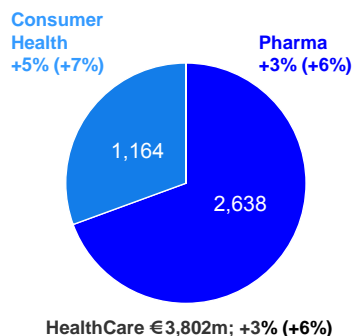
# HealthCare – Strongest Quarter in Terms of Sales Since Acquisition of Schering



## Q3'08 Sales

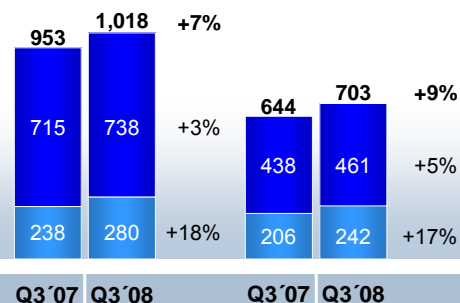
## Earnings

In € million, Δ% y-o-y



### Underlying EBITDA

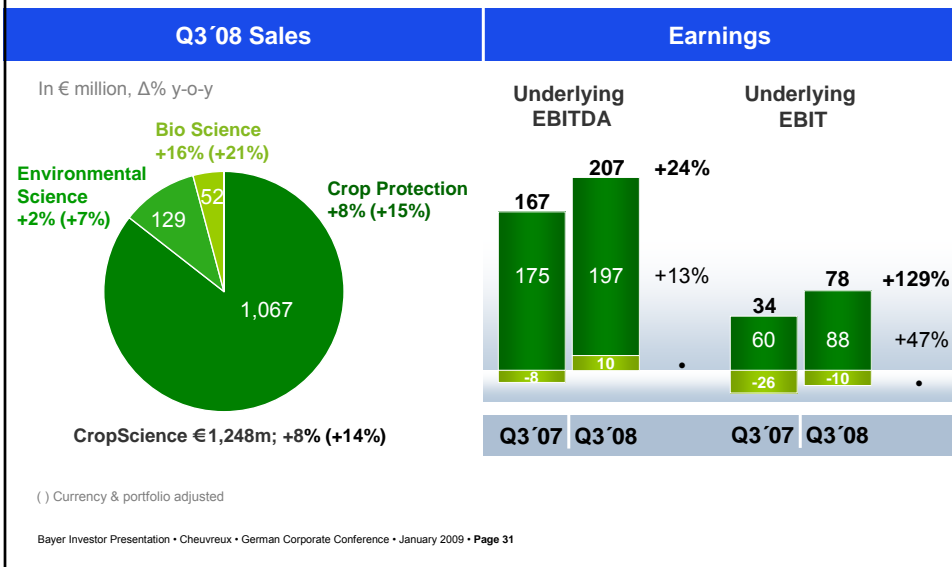
### Underlying EBIT



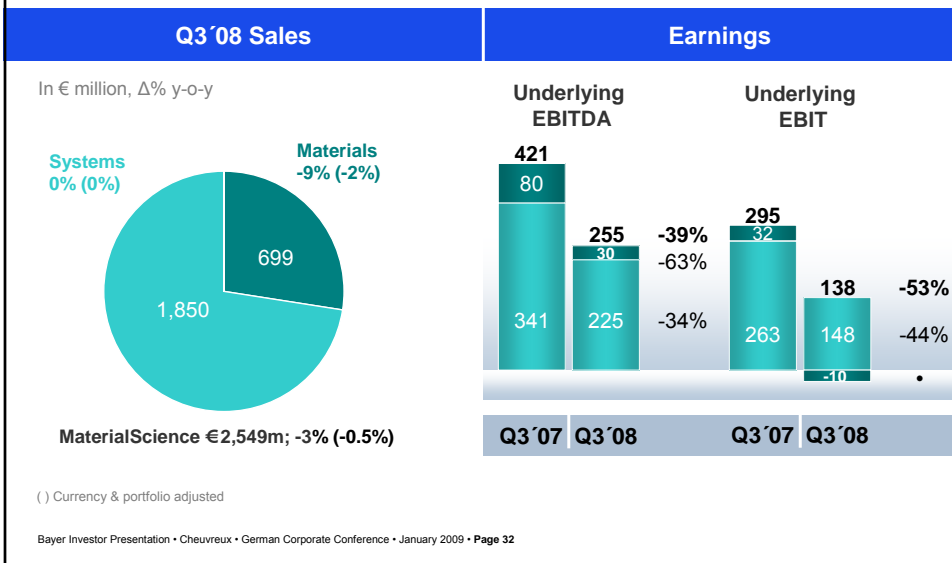
( ) Currency & portfolio adjusted

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## CropScience – On Track For Record Performance in 2008



## MaterialScience – Weaker Demand Aggravated by Transportation Ban And Texas Plant Closure



# Currencies And Acquisitions Caused Higher Net Debt



## Q3'08 Cash Flow

## Net Debt Development

In € million

In € billion

	GCF	NCF cont.	Investments	oFCF
	1,171	1,234	492	742
Δ % y-o-y	+1%	-24%	+2%	-35%



## ■ Outlook remains confident

“...we intend to achieve growth both this year and next [i.e. 2008 and 2009] and to improve underlying EBITDA.”

Werner Wenning, CEO  
Press Conference, December 12, 2008

## HealthCare and CropScience Expected to Drive 2009 Earnings Growth

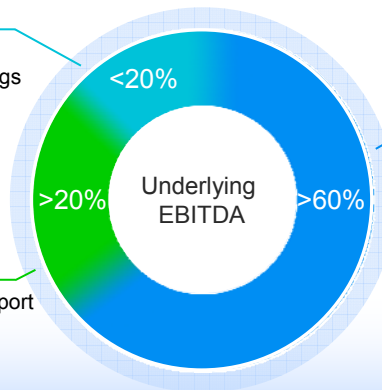


### MaterialScience

Unprecedented volatility of markets – 2009 earnings will be lower

### CropScience

Fundamental drivers support positive 2009 outlook



### HealthCare

2009 outlook projects above market growth and higher earnings

Break-down excluding reconciliation

## MaterialScience – Unprecedented Volatility of Markets



### Environment

- Demand from key customer industries has clearly weakened in October and even more dramatically in November and December
- Expect weak Q4'08 (also due to destocking) and weak start into 2009
- Supply / demand-balance expected to become longer
- Raw material costs have come down drastically since summer 2008
- Visibility remains poor

### Outlook 2009

- Sales and underlying EBITDA below 2008
- Lower raw material and energy costs
- CapEx will be lowered
- Acceleration of restructuring programs
- Contingency plans including further savings, plant shutdowns and short time work ready for implementation, if necessary

## MaterialScience – Key Customer Industries



2007 Bayer MaterialScience sales by industry

## CropScience - Confident Outlook for 2009



### Environment

- Long-term fundamental drivers for ag industry remain intact
- Commodity prices declined sharply, but are still on attractive levels for farmers
- Stocks of agricultural commodities estimated to remain rather low
- Farm income positively impacted by declining cost for energy and fertilizers
- Currently low inventories of crop protection products in distribution channels

### Outlook 2009

- Higher sales and underlying EBITDA margin of ~ 25 %

# Growth Drivers of Global Agriculture



## Growing world population

- Increasing food & energy demand
- Decreasing farmland per capita

## Need for alternative energy feedstocks

- Increasing demand for renewable energy and biofuel

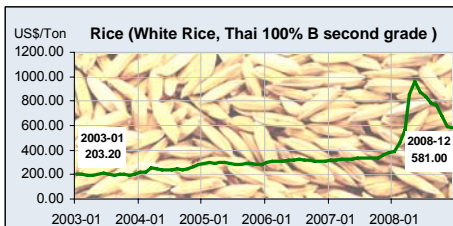
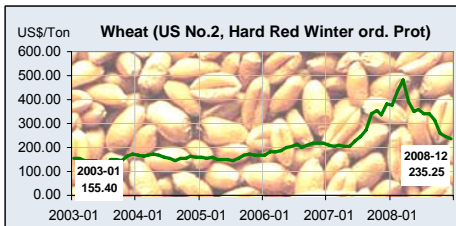
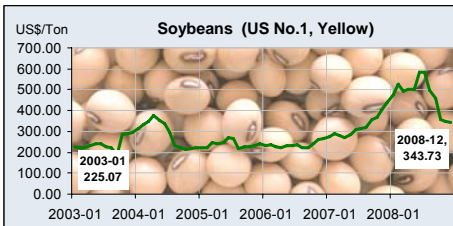
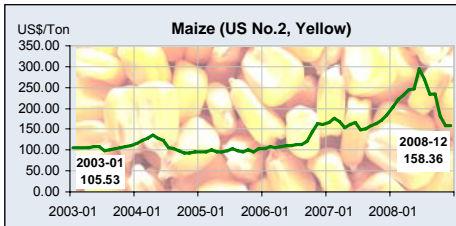
## Growing wealth

- 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>

# Grain Commodity Prices Still on Attractive Levels



Source: FAO International Commodity Prices, monthly averages as of 2008-12-31

## HealthCare – Business Gaining Momentum



### Five guiding principles drive our success

- On average at least 30% of our business should be non-pharma long-term
- Clear focus on specialty medicine versus primary care
- Overweight in emerging markets
- Increasing R&D productivity through ruthless focus
- Focus on above market growth

### Outlook 2009

- Above market growth in all divisions
- Underlying EBITDA-margin at around 28%

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



- Active portfolio management: transaction volume >€43bn
- Strategic investment focus is on HealthCare: €20bn to grow the business to almost 50% of group sales
- Increased underlying EBIT from €828m in 2002 to €4.3bn in 2007
- 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
- Prepared to act: contingency plans ready for implementation, if necessary
- 2008 outlook reiterated – further growth and higher underlying EBITDA
- Outlook 2009 projects further growth and higher underlying EBITDA

## Reporting Events and AGM



Date	Event	Publication
Tuesday, March 3, 2009	Investor Conference Call	2008 Annual Report
Wednesday, April 29, 2009	Investor Conference Call	First Quarter Results Stockholders' Newsletter
Tuesday, May 12, 2009	Annual General Meeting	
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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