



# **Investor Handout**

# **Bayer AG**

June 7-9, 2011



Science For A Better Life

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**Disclaimer**

## Bayer – Enhance Competitive Position As A World-Class Innovation Company



- Operating performance on track
- Group outlook 2011 – Raised on expected improvement at CropScience
- €15bn investment plan through 2013 to maximize value of new product pipeline strength and to realize emerging markets opportunity
- Two-year group restructuring plan to generate €800m efficiency improvements underway

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## Fiscal 2010 – Operating Performance on Track



In € million, ( ) = Fx & portfolio adjusted

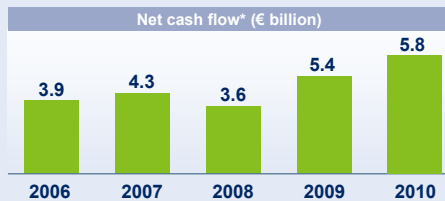
	2010	Δ%
<b>Sales</b>	35,088	+13 (8)
<b>EBITDA</b>		
- reported	6,286	+8
- adjusted	7,101	+10
<b>EBIT</b>		
- reported	2,730	-9
- adjusted	4,452	+18
<b>Net income</b>	1,301	-4
<b>Net cash flow</b>	5,773	+7
<b>Free operating cash flow</b>	4,259	+12
<b>EPS</b>		
- reported	€1.57	-8
- core	€4.19	+15

### Summary of Financial Results

- Group financial targets achieved
- Strong year at MaterialScience – HealthCare and CropScience below expectations
- Net income diminished by high special charges
- Strong operating cash flow –net financial debt reduced

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## Selected Indicators 2006-2010 - Track Record of Performance



\* 2006 - 2008 from continuing operations \*\* year-end data

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## 1st Quarter 2011 – Off to a Successful Start



In € million, ( ) = Fx & portfolio adjusted

	Q1'11	Δ%
<b>Sales</b>	<b>9,415</b>	<b>+13 (10)</b>
<b>EBITDA</b>		
- reported	1,866	+7
- adjusted	2,232	+22
<b>EBIT</b>		
- reported	1,148	+4
- adjusted	1,590	+35
<b>Net income</b>	<b>684</b>	<b>+8</b>
<b>Net cash flow</b>	<b>801</b>	<b>+9</b>
<b>Free operating cash flow</b>	<b>563</b>	<b>+12</b>
<b>EPS</b>		
- reported	€0.83	+9
- core	€1.45	+28

### Summary of Financial Results

- Strong business expansion
- All subgroups contributing
- Reported earnings impacted by high special charges
- Strong cash generation
- Full-year group guidance for 2011 raised on expected improvement at CropScience

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Group Outlook 2011 –  
**Raised On Expected Improvement At CropScience**



Sales  $\Delta$  Fx and portfolio adjusted, EBITDA pre-special items

	2010	$\Delta$		2011E (previous)	2011E (Q1 update)
<b>Sales</b> (Fx & portf. adjusted)	€35.1bn	+8%		4-6% to €35-36bn	5-7% to €36-37bn
<b>adj. EBITDA</b>	€7.1bn	+10%		improve toward €7.5bn	> €7.5bn
<b>Core EPS</b>	€4.19	+15%		≈10%	≈15%

Outlook depends on specific planning assumptions  
as detailed in the Annual and Q1 Report



Science For A Better Life

**Building a World-Class  
Innovation Company**

## Building a World-Class Innovation Company



### Portfolio

Build on leading industry position in all 3 subgroups

Enhance competitive position

### Growth

Invest in innovation capabilities

Maximize value of new product pipeline strength

Realize emerging market opportunity

### Productivity

Decomplex structures and processes

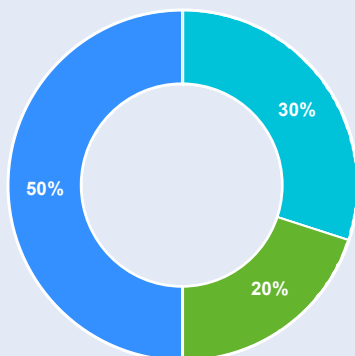
Implement two-year group restructuring plan



Target is to deliver mid-single digit organic sales growth in 2011 and 2012 and to invest €15bn in growth during 2011 - 2013

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## Bayer – A Leader in Its Markets



€16.9bn

### HealthCare

Pharmaceuticals €10.9bn, leading positions in key categories

Consumer Health €6.0bn, OTC pharmaceuticals, blood glucose meters and veterinary medicines, global #2-4

€6.8bn

### CropScience

Agrochemicals and seeds & traits, global #2 in agrochemicals

€10.2bn

### MaterialScience

Polyurethanes and polycarbonates, global #1/2

Sales 2010: €35.1bn

Break-down excluding reconciliation

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## New Product

# Pipeline Strength

## HealthCare- Pharma Pipeline Maturing



		What it does	Status
Cardiology	Xarelto	inhibits blood clot formation	1st indication launched/ filed; phase III
	Riociguat	lowers blood pressure in the lung	phase III
Oncology	Nexavar	inhibits enzymes important for tumor growth	launched, additional indications in phase II/III
	Regorafenib	inhibits enzymes important for tumor growth	phase III
	Alpharadin	targeted treatment of bone metastases in prostate cancer	phase III
Eye Diseases	VEGF Trap-Eye	inhibits formation of new blood vessels	phase III
Imaging	Florbetaben	detects amyloid-beta plaques (Alzheimer's disease)	phase III

## Expected Major Pipeline Newsflow 2011



<b>Xarelto:</b> EINSTEIN-PE, treatment of pulmonary embolism	Completion summer 2011e
<b>Xarelto:</b> ATLAS, secondary prevention in acute coronary syndrome (ACS)	Completion summer 2011e
<b>Xarelto:</b> potential newsflow on submissions	2011e
<b>VEGF Trap-Eye:</b> Filing in wet AMD	1H 2011e
<b>VEGF Trap-Eye:</b> Full data from phase III program in wet AMD	2011e
<b>Alemtuzumab:</b> Data from phase III program in Multiple Sclerosis	2011e
<b>Nexavar:</b> Completion of phase III in thyroid cancer / phase III NSCLC	2011/2012e (event-driven)

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CRVO: Central retinal vein occlusion  
 AMD: Age-related macular degeneration  
 NSCLC: Non-small cell lung cancer  
 PE: Pulmonary embolism  
 VTE: Venous thromboembolism

## Xarelto – Addressing Medical Needs Across a Wide Range of Patients



Indication	Phase III Program	Status
Stroke prevention in patients with atrial fibrillation	<b>ROCKET AF</b>	Filed in US, EU
VTE-treatment	<b>EINSTEIN</b>	Filed in EU / US-filing 2011/2012e
Sec. prevention in ACS	<b>ATLAS</b> ACS TIME 01	Completion summer 2011e
VTE-prevention in medically ill patients	<b>MAGELLAN</b>	Data reported
VTE-prevention after hip and knee replacement surgery	<b>RECORD</b> 1-4	Launched / In registration (US)

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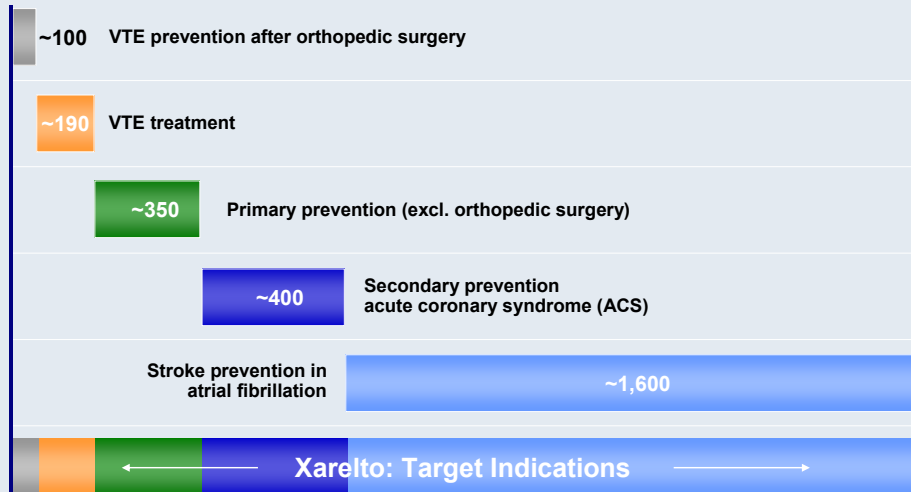
VTE: Venous thromboembolism; ACS: Acute coronary syndrome



## Xarelto And The Market for Anticoagulants



Estimated treatment days in 2009\* (in millions)



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\*Sources: PADDIS, IMS Midas, BAYER estimates  
Decision resources

### Prevention of VTE in Acutely ill Patients:

#### Xarelto Compares Favorably with Enoxaparin but Does Not Show a Consistent Net Clinical Benefit



- The MAGELLAN trial compared Xarelto against standard of care for the prevention of VTE in patients hospitalized for acute medical illness
- MAGELLAN met its primary efficacy endpoints:
  - Day 10: rivaroxaban was non-inferior to enoxaparin in reducing the risk of VTE.
  - Day 35: extended thromboprophylaxis was superior to enoxaparin followed by placebo in reducing the risk of VTE.
- Overall bleeding rates were low, but significantly higher in the rivaroxaban arm across the entire study period.
- Rates of other adverse events, including liver and cardiovascular events, were similar in both arms.

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VTE: Venous thromboembolism

## Xarelto Demonstrated an Excellent Clinical Profile in Four Key Indications



### VTE prevention after orthopedic surgery (RECORD 1-4 trials)

- Superior efficacy: 52% relative risk reduction\*
- Rates of major bleeding low. No statistically significant difference
- Comparator: enoxaparin



### Extended secondary prevention of VTE (EINSTEIN-Extension trial)

- Superior efficacy: 82% reduction of recurrent VTE
- Low incidence of major bleeding. No stat. significant difference
- Comparator: placebo



### DVT treatment (EINSTEIN-DVT trial)

- Non-inferior efficacy - significantly improved net clinical benefit \*\*
- Composite of major and clinically relevant non major bleeding similar with numerically lower major bleedings
- Comparator: enoxaparin followed by vitamin K antagonist



### Stroke prevention in atrial fibrillation (ROCKET-AF trial)

- Non-inferiority vs. warfarin in ITT and per-protocol population. Active treatment superior to warfarin in reducing the risk of stroke and non-CNS embolism in the safety population.
- Composite of major and clinically relevant non major bleeding similar
- Comparator: vitamin K antagonist



Selection of clinical trial results. For full data see publications: VTE prevention after orthopedic surgery (RECORD) data published in NEJM and Lancet, extended sec. prevention of VTE (EINSTEIN-Ext.) presented at ASH 2009, DVT treatment (EINSTEIN-DVT) presented at ESC 2010; stroke prevention (ROCKET-AF) presented at AHA 2010  
\*) Symptomatic VTE + all-cause mortality in pooled analysis of RECORD 1-4  
\*\*) Secondary outcome defined as composite of primary efficacy endpoint plus major bleeding

## VEGF Trap-Eye: Addressing Major Eye Diseases



### Diabetic Macular Edema (DME)

- Most prevalent cause of vision loss in patients with diabetes.
- Clinically significant DME is a leading cause of acquired blindness in the adults aged <50years.
- Approx. 370,000 patients suffer from clinically significant DME in the US, with 95,000 new cases / year.

### wet AMD

- Wet AMD is due to abnormal blood vessel growth in the eye; the disease accounts for approx. 90% of AMD-related blindness.
- Wet AMD is the leading cause of acquired blindness in the elderly.
- Approx. 1.5 million patients annually in the US.

### Central Retinal Vein Occlusion (CRVO)

- Obstruction of central retinal vein may lead to vision loss and other serious complications.
- > 100,000 people in the US and > 66,000 people in key EU countries are estimated to suffer from CRVO.

### myopic CNV

- In myopic patients, the eyeball is too long – this situation puts strain on retina and may lead to pathological changes (e.g. irregular vessel growth) in the back of the eye.
- Severe myopia is common in Asia; in Japan, mCNV is the second most common cause of blindness.

## VEGF Trap-Eye – Key Data from Clinical Studies Suggest a Competitive Profile



### Wet Age-Related Macular Degeneration (wet AMD)

- Phase III program incl. 2,457 patients (VIEW 1, VIEW 2)
- Primary efficacy endpoint met, non-inferiority compared to Lucentis demonstrated
- One year data demonstrated potential for less frequent dosing with comparable vision maintenance



### Central Retinal Vein Occlusion (CRVO)

- Phase III program incl. 354 patients (COPERNICUS, GALILEO)
- Primary efficacy endpoint met, demonstrating significant improvement in vision after six months of treatment compared to sham-injections



### Diabetic Macular Edema (DME)

- Phase II study incl. 219 patients (DaVinci)
- VEGF Trap-Eye vs. laser treatment:
- Primary endpoint met: Visual acuity gains over 24 weeks were maintained or numerically improved up to completion of the study at week 52
- Phase III trial initiated



VEGF Trap-Eye was generally well tolerated and the most common adverse events were those typically associated with intravitreal injections or the underlying disease.

Selection of clinical data. For further details see Bayer press releases from November 22, 2010, December 20, 2010 and April 27, 2011. Further data presented at Angiogenesis Conference, Miami, Florida, February 12, 2011.

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## CropScience - Innovation Leadership in Agrochemicals, Promising BioScience Pipeline



23 new agrochemical active ingredients launched, generated sales of €2bn in 2009

2000 - 2009

Six new agrochemical substances with sales potential of more than €1bn to be launched

2010 - 2012E

Expect 18 new BioScience products to be launched

2010 - 2016E

Numerous early-stage research and early development projects in Crop Protection and BioScience

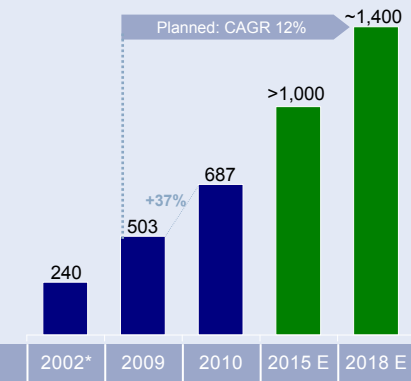
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## Growth Platform Ag BioScience - Strongly Expanded in 2010



### Planned sales development

in € million



\*2002 sales pro-forma Bayer + Aventis CropScience

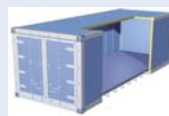
### Key growth drivers

- Fast growing established business in cotton, canola, rice and vegetables
- Regional expansion and introduction of new varieties
- Exploit traits potential through licensing agreements
- Extension of our crop-portfolio to soybean and cereals
- Increase of BioScience's share of CropScience R&D expenditures (2009: 20% → 2010: 30%)
- R&D capacities strengthened through acquisition of Athenix (2009)

## MaterialScience – World-Class Applications Research



**Bayseal™**  
Creates a seamless air barrier system working like a building envelope



**Baytherm®**  
Combines high mechanical strength with high insulating capacity and low weight



**DurFlex®**  
Improving noise reduction and economics of rail track operations



**Makrolon®**  
Forming lightweight exterior car body parts from polycarbonate



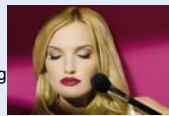
**Bayblend® FR**  
A new safety concept for car batteries to make housings flame retardant



**Bayfol Reflex™**  
Actuators out of polymers give tactile feedback precisely adjusted to requirements



**Makrofol®ID**  
Film for ID cards providing scratch resistance and protecting against counterfeit



**Baycusan®**  
Solvent-free polyurethane based polymers for cosmetic applications



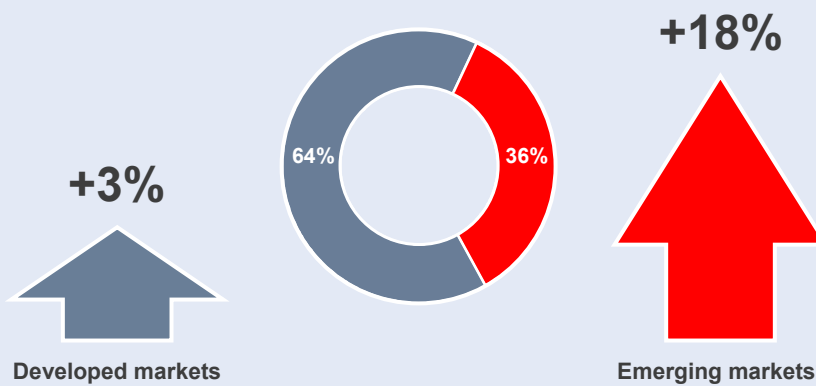
Opportunity

Emerging Markets

### Emerging Markets – Significant Growth Momentum

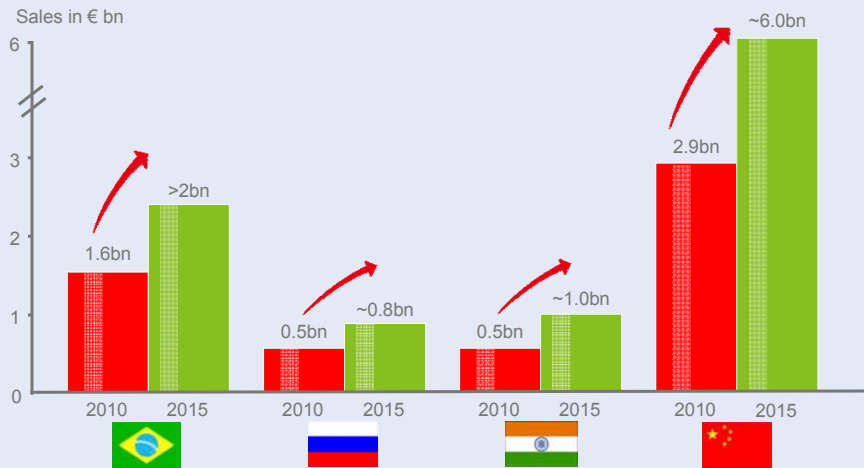


2010 Group Sales break down; Δ% yoy Fx adjusted



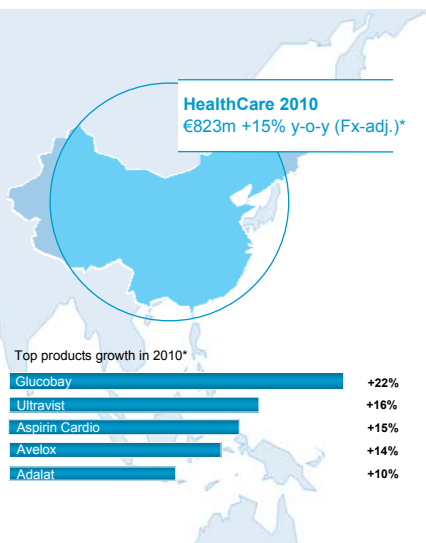
<sup>1</sup> Emerging markets include: Latin America, Asia w/o Japan, Australia, New Zealand, Africa and Middle East incl. Turkey, Eastern Europe

## BRIC – Countries Can Collectively Become a 10bn Euro Business in 2015



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## Bayer is One of The Leading International HealthCare Companies in China



### Strong growth

- Driven by Pharmaceuticals (+17% yoy) increasing momentum in Q3/Q4
- Pharma portfolio includes established branded products as well as innovative products like Nexavar, Scilin Insulin and Xarelto

### Significant investment commitment

- Approx. 5,300 employees
- €100m over 5 years to set-up a global R&D center in China
- Beijing manufacturing site expansion (~€45m through 2015)
- Partnership with Tsinghua University (joint drug discovery, student support)

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All growth rates y-o-y Fx-adj.  
\* People's Republic of China

## €1bn New Investment Plan at MaterialScience in China



### Asia/Pacific is leading the recovery

- China already is the world's largest PCS market
- China is set to become the world's largest PUR market by 2015



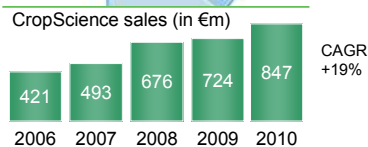
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### Commitment to growth in China

- €2.1bn investment program in integrated polymer site in Shanghai, China until 2012
- New investment of approx. €1bn in Shanghai by 2016 to
  - Increase MDI capacity to 1,000kt/year
  - More than double PCS capacity to 500kt/year
  - Increase HDI capacity, new 50kt/year line planned
- Transfer of PCS Headquarters from Leverkusen to Shanghai
- Increasing downstream presence (investment of €110m by 2012)

PCS = Polycarbonates  
PUR = Polyurethanes

## CropScience in Brazil – Gained Share in One of the World's Largest Ag Markets



- Brazil is the 2nd largest market for CropScience
- Bayer is one of the leading suppliers and growing strongly
- Bayer gained market share in each of the past 3 years
- 2010 Crop Protection performance driven by strong sales increase in insecticides and herbicides, especially with new products
- BioScience growth driven by cotton seed
- Risk management systems in place to limit the potential impact of reduced credit availability; established barter business

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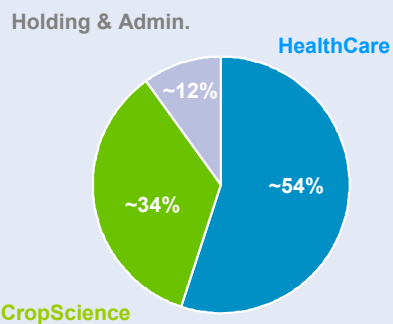
More Innovation

Less Administration

## Restructuring Program Initiated



### Contribution by Subgroup



### Savings Initiative

- Savings and efficiency initiative at HealthCare, CropScience and corporate level
- Annual cost savings of €800m starting 2013, reinvestment of ~50%
- One-time-charges of around €1bn by end of 2012
- Plans include reductions of 4,500 people
- 2,500 new hires in growth and innovation, particularly in emerging markets



## Efficient Use of Cash



### → Funding organic growth

- CapEx budget 2011: €1.5bn for PPE

### → Deleveraging balance sheet

- Compliant with single A credit rating category

### → Cash return to shareholders

- Dividend policy: Pay out 30-40% of Core EPS
- Share buyback: No priority

### → Acquisitions

- Focus is on organic growth, complemented by bolt-on acquisitions



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## Summary



- Q1 2011: Off to a Successful start – all subgroups contributed
- Outlook raised on expected improvement of CropScience
- Promising late-stage innovation pipeline
- Significant emerging markets opportunity
- Two-year Group restructuring plan
- €15bn investment plan to resource organic growth

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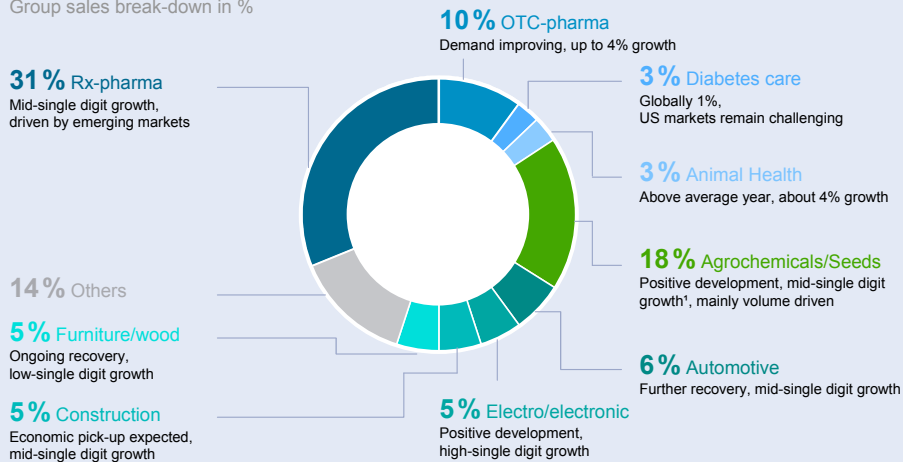
# Appendix

## Outlook 2011 – Planning Assumptions



### Expected 2011 Global Market Development






Group sales break-down in %



## Fiscal 2011 – Revised Guidance By Subgroup



Outlook based on Fx and portfolio adj. sales and EBITDA pre-special items

<b>HealthCare</b>		<b>Unchanged:</b> Low- to mid-single digit increase of sales and small increase of adj. EBITDA
<b>Pharma</b>		<b>Unchanged:</b> Low- to mid-single digit increase of sales and improvement of adj. EBITDA-margin
<b>Consumer Health</b>		<b>Unchanged:</b> Mid-single digit growth of sales and adj. EBITDA
<b>CropScience</b>		<b>Raised:</b> High- (previously: mid-) single-digit percentage higher sales and growth of adj. EBITDA by approx. 20% (previously: at a higher rate than sales)
<b>MaterialScience</b>		<b>Updated to reflect raw material cost induced price increases</b> High- (so far: mid-) single digit percentage increase of sales and growth of adj. EBITDA at a higher rate than sales. Q2'11: Higher sales and improved adj. EBITDA versus Q1'11

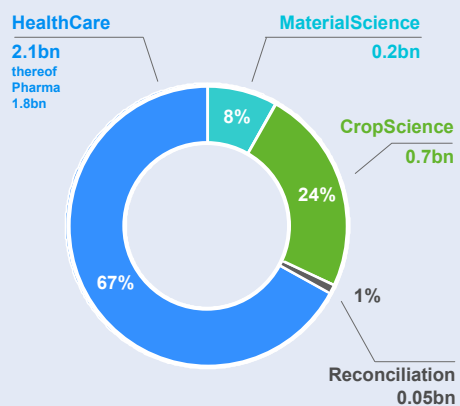
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Outlook depends on specific planning assumptions as detailed in the Q1 Quarterly Report

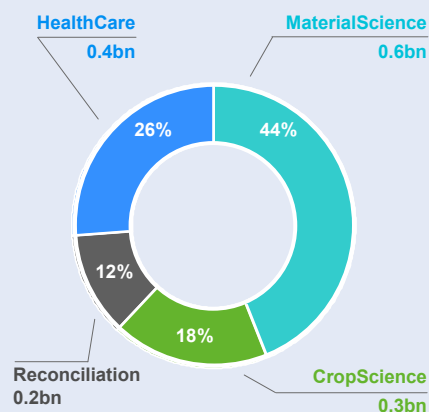
## 2011 – R&D and CapEx Budgets



R&D 2011E: ~€3.1bn



CapEx (PPE) 2011E: ~€1.5bn



€15bn R&D and Capital Investment Plan until 2013

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## 1st Quarter 2011 – All Segments Contributed To The Expansion



In € million, ( ) = Fx & portfolio adjusted

	Sales			adj. EBITDA		
	2010	2011	Δ% (adj.)	2010	2011	Δ%
<b>HealthCare</b>	<b>3,869</b>	<b>4,166</b>	<b>+8 (+4)</b>	<b>1,023</b>	<b>1,140</b>	<b>+11</b>
<b>Pharma</b>	2,531	2,649	+5 (+1)	759	803	+6
<b>Consumer Health</b>	1,338	1,517	+13 (+10)	264	337	+28
<b>CropScience</b>	<b>1,952</b>	<b>2,257</b>	<b>+16 (+14)</b>	<b>531</b>	<b>745</b>	<b>+40</b>
<b>Crop Protection</b>	1,476	1,676	+14 (+12)	352	510	+45
<b>ES/BS<sup>1</sup></b>	476	581	+22 (+18)	179	235	+31
<b>MaterialScience</b>	<b>2,216</b>	<b>2,686</b>	<b>+21 (+19)</b>	<b>278</b>	<b>345</b>	<b>+24</b>

<sup>1</sup> Environmental Science/BioScience

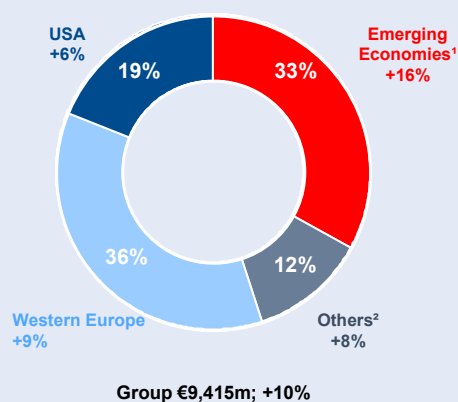
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## 1st Quarter 2011 – Strong Growth In All Regions Led By Emerging Markets

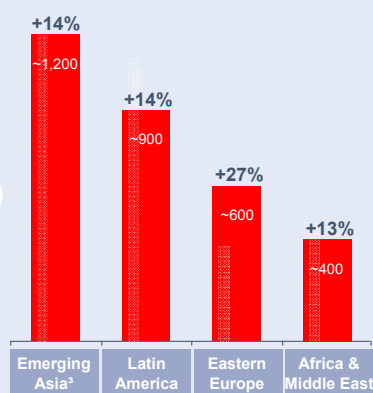


In € million, Δ% yoy Fx adjusted

### Q1 2011 Group sales by region



### Emerging Economies



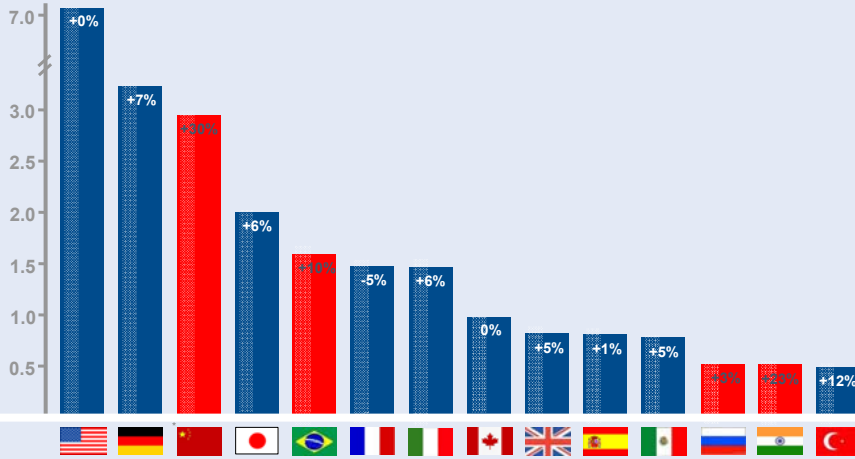
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<sup>1</sup> Emerging economies include: Latin America, Asia w/o Japan, Australia, New Zealand, Africa and Middle East incl. Turkey, Eastern Europe  
<sup>2</sup> Others = Japan, Australia, New Zealand, Canada  
<sup>3</sup> Emerging Asia = Asia minus Japan, Australia, New Zealand

## All BRIC-Countries in Our Most Important Country Portfolio



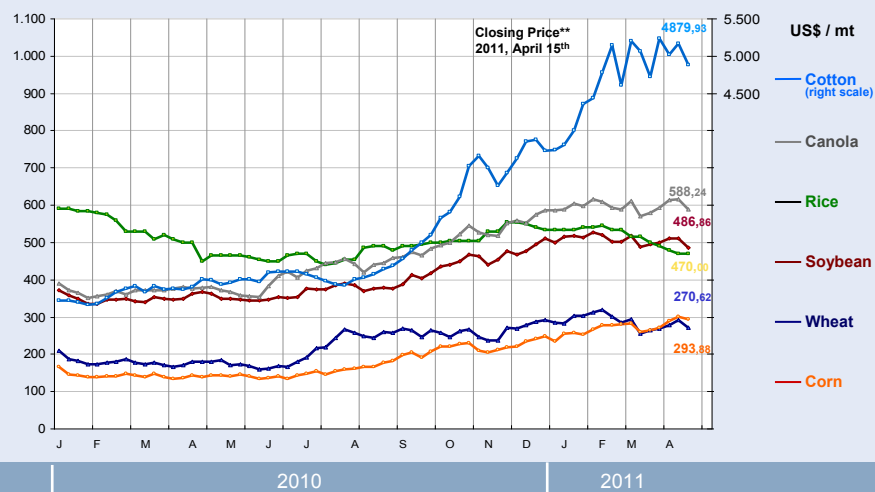
Sales in € bn  $\Delta\%$  yoy Fx adjusted  
Sales by country full year 2010



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\*Greater China includes PR China, Hongkong, Macau and Taiwan

## CropScience – Commodity Price Development of Key Crops



\*) Weekly closing price - \*\*) Wheat = 7,36 US\$/BSH, Corn = 7,46 US\$/BSH, Soybeans 13,25 US\$/BSH

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## Reporting Events and AGM



Date	Event	Publication
Thursday, July 28, 2011	Investor Conference Call	Second Quarter 2011 Results Stockholders' Newsletter
Thursday, October 27, 2011	Investor Conference Call	Third Quarter 2011 Results Stockholders' Newsletter
Tuesday, February 28, 2012	Investor Conference Call	2011 Annual Report
Thursday, April 26, 2012	Investor Conference Call	First Quarter 2012 Results Stockholders' Newsletter
Friday, April 27, 2012	Annual General Meeting	

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