



Science For A Better Life



# Investor Handout

**Q3 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- 2009 Targets



### 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 expanded

### 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

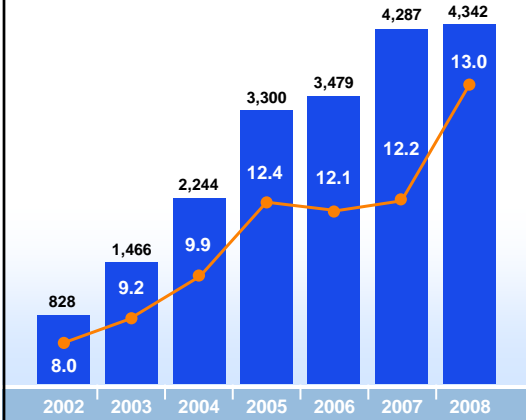
- Target is to reduce net financial debt towards €10bn by year-end 2009

# The Success of Bayer's Strategy is Evident



Underlying EBIT in €million

● CFROl in %



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## Achievements

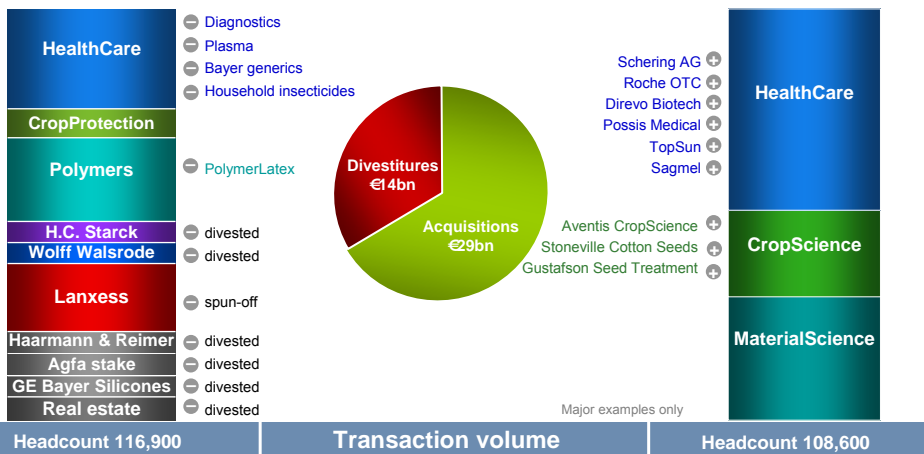
- Improved underlying EBIT by more than factor 5
- Improved underlying EBITDA-margin from 12% to 21%
- Record returns over cost of capital
- Achieved all group (earnings) targets

# 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

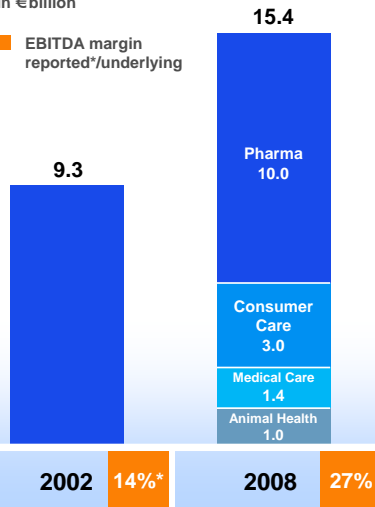
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## HealthCare – A Diversified Business Model



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

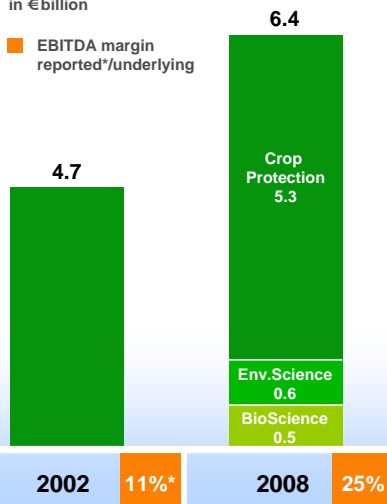
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## CropScience – Strategy Driven by Innovation



in €billion

EBITDA margin reported\*/underlying



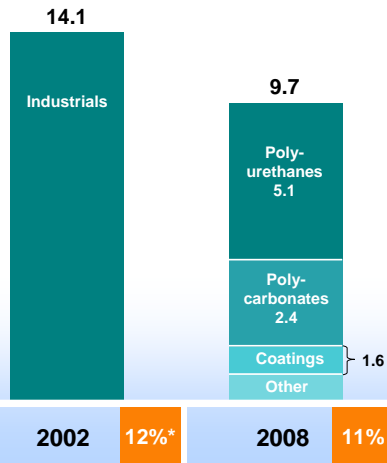
- Global #2, with leading positions in all market segments and regions
  - Gained market share in Brazil during 2008, the world's largest agchem market
  - Proven track record of innovation – launched 21 new active ingredients since 2000
- 
- Global #1, extends the Crop Protection active ingredients' 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



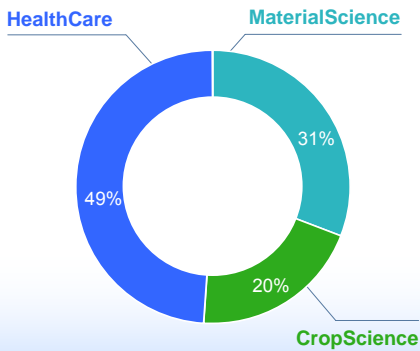
in €billion ■ EBITDA margin reported\*/underlying



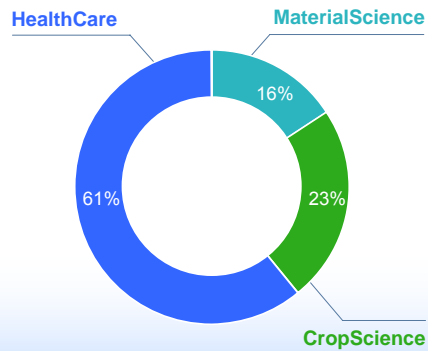
- Global #1 in all business segments
- Focus is on fast-growing isocyanates and polycarbonates
- Long-term fundamental growth drivers remain intact
- Earned attractive returns over cost of capital between 2004–2008
- Short-term challenges are addressed
  - ▶ Restructuring programs accelerated and expanded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

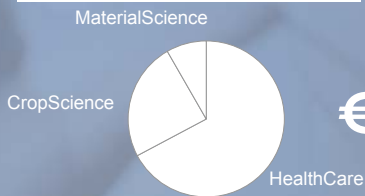
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Break-down excluding reconciliation



# Innovation Pipeline Progresses Dynamically

R&D Budget 2009



€2.9bn

## Key Pharma Pipeline Assets Hold Significant Promise



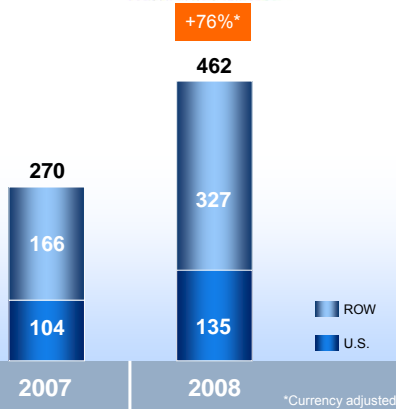
	What it does	What it is / could be used for	Status
<b>Nexavar</b>	inhibits enzymes important for tumor growth	cancer treatment	launched > 200 trials ongoing
<b>Xarelto</b>	inhibits blood clot formation	treatment of diseases caused by blood clots	1st indication launched/ filed; phase III
<b>Riociguat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



# Nexavar: A Franchise Building Opportunity



Sales in € million



- 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

# Comprehensive Development Program For Nexavar Underway



## Signal-Generating Phase II-Trials

- **Breast cancer**
  - Paclitaxel ± Nexavar ✓
  - Capecitabine ± Nexavar ✓
  - Gemcitabine ± Nexavar
  - Docetaxel or letrozole ± Nexavar
- **Ovarian cancer**
  - Maintenance treatment after 1st-line treatment
- **Colorectal cancer**
  - 1st-line treatment in combination with FOLFOX

## Phase III-Trials

- **Liver cancer**
  - Adjuvant therapy vs. placebo (STORM-trial)
  - Post-TACE
  - Combination therapy with erlotinib (Tarceva®)
- **Kidney cancer**
  - Adjuvant treatment vs. placebo (EU)
  - Adjuvant treatment (ECOG)
- **Non-small cell lung cancer**
  - 1st-line combination therapy with gemcitabine and cisplatin (NEXUS-trial)
  - 3rd/4th-line monotherapy in NSCLC
- **Thyroid cancer**
  - Nexavar monotherapy

Phase II/III highlights only

**More Than 200 Active Trials Exploring Nexavar's Anti-Tumor Potential**



## Nexavar – First Results from Phase II Breast Cancer Program



### Paclitaxel ± Nexavar

- HER-2 negative, locally advanced or metastatic breast cancer
- Double-blind, randomized, placebo controlled phase II trial
- 237 patients (first line)
- Preliminary results:  
Combination of Nexavar + Paclitaxel demonstrated a positive trend towards improvement of progression-free survival ( $p=0.09$ ).

### Capecitabine ± Nexavar

- HER-2 negative, locally advanced or metastatic breast cancer
- Double-blind, randomized, placebo controlled phase II trial
- 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,  $p=0.0006$ )\*

Initiation of phase III in breast cancer planned for Q1 2010

## Xarelto Target Indications With High Unmet Medical Need

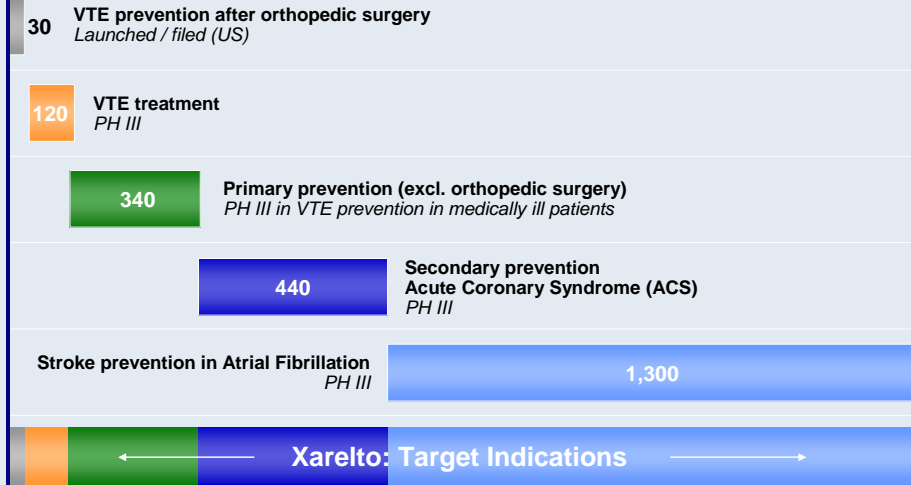


- Thromboembolism is the single largest cause of morbidity and mortality in the Western world
- In the US, VTE affects almost 1 million people each year and is responsible for more deaths each year than breast cancer, HIV disease, and motor vehicle crashes combined
- VTE is the third most common cardiovascular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



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

# Xarelto: Late-Stage Development Program



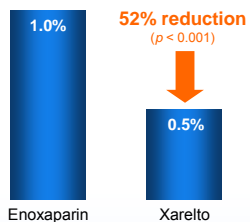
Market	Study	Facts	Phase II	Phase III	Filing
Acute Indications	<b>RECORD</b>	>12,500 patients vs. standard therapy (enoxaparin)	VTE prevention after orthopedic surgery		✓
	<b>MAGELLON</b>	~8,000 patients vs. standard therapy (enoxaparin)	VTE prevention in medically ill patients		2011e
Chronic Indications	<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

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

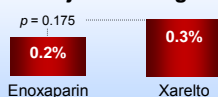


### Primary efficacy outcome\*

Symptomatic VTE + all-cause mortality



### Major bleeding\*



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

- 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.

## Xarelto – Upcoming Newsflow



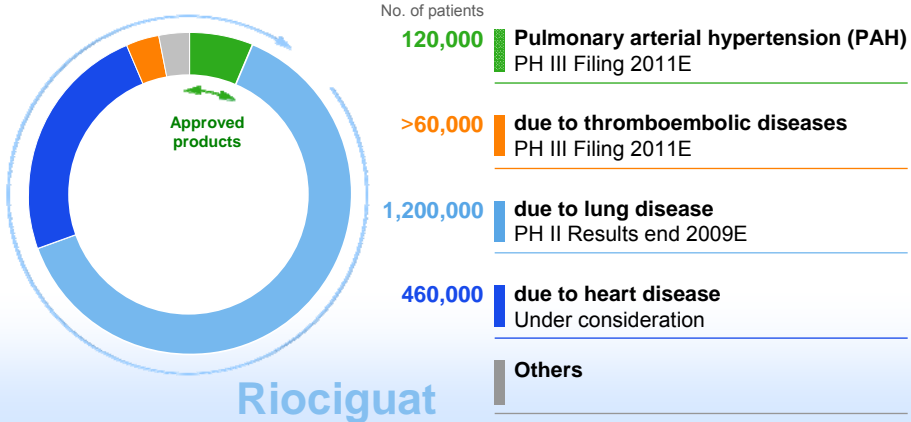
- Presentation of trial data from EINSTEIN extension, target conference is ASH, Dec. 2009
- Submit complete response to FDA during Q4 2009



# Riociguat – An Emerging Treatment For Pulmonary Hypertension



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

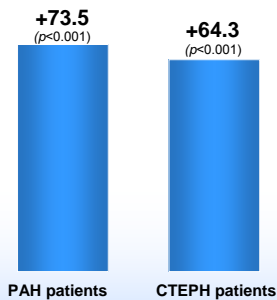


# Riociguat Demonstrated Clinically Meaningful Improvement in Pulmonary Hypertension



## 6-minute walking distance test

Mean improvement over baseline after 12 weeks of treatment (in meters)



Baseline values:  
PAH: 317 m; CTEPH: 383 m

PAH: Pulmonary Arterial Hypertension  
CTEPH: Chronic Thromboembolic Pulmonary Hypertension

- Open-label, uncontrolled phase II study involving 75 PAH and CTEPH patients
- Exercise capacity significantly improved
  - +23% in PAH-patients
  - +17% in CTEPH-patients
- Improvement on hemodynamic parameters, i.e. pulmonary arterial pressure, pulmonary vascular resistance
- Riociguat was well tolerated and had a favorable safety profile

# 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, enrollment completed
- 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

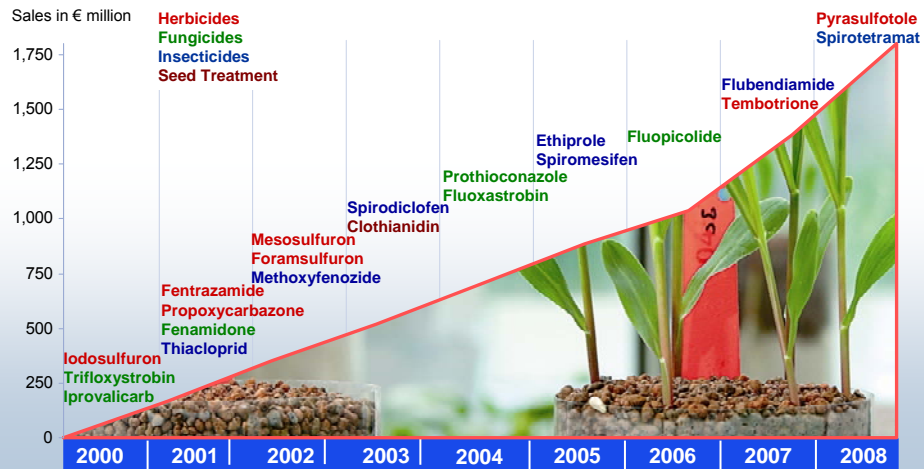
- Regorafenib is an orally active multikinase inhibitor
- Distinct profile targeting angiogenic, stromal, and oncogenic receptor tyrosine kinases
- Potential for clinical differentiation from other VEGF-receptor inhibitors
- Phase III development program planned to be initiated in early 2010

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# CropScience – Proven Track-Record of Innovation



23 new active ingredients launched since 2000



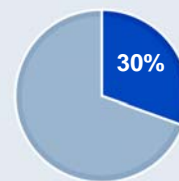
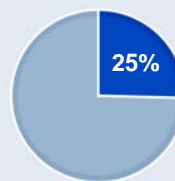
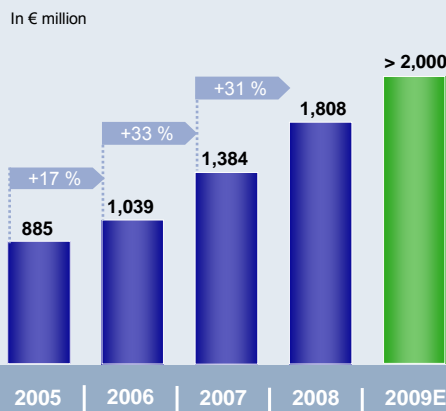
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# CropScience Targets €2bn New Product Sales in 2009 – Two Years Earlier Than Originally Planned



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

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



2007

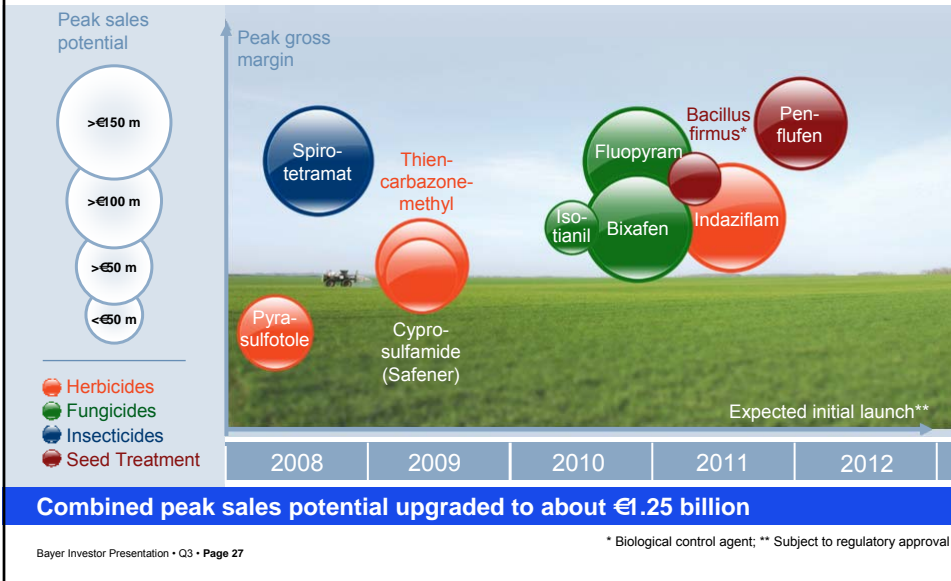
2008

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

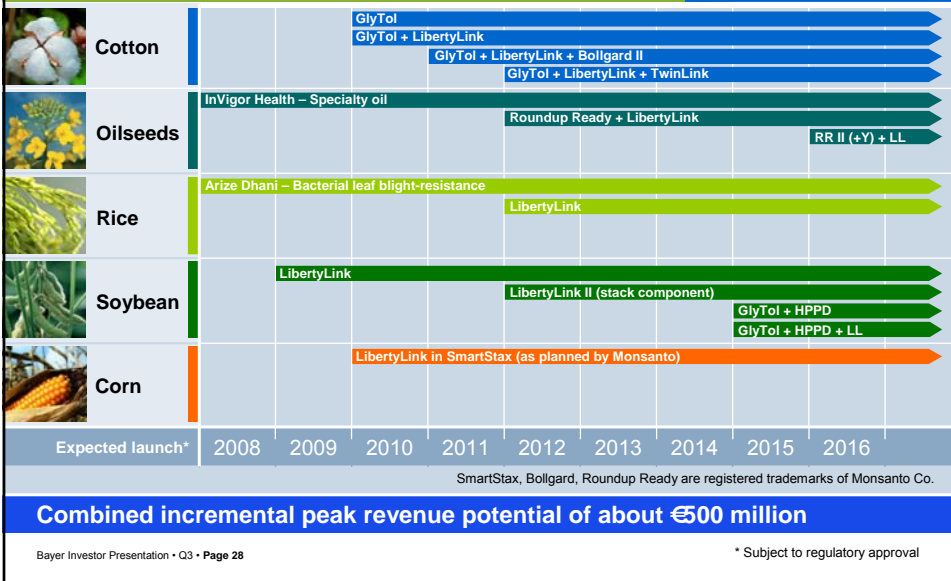
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# CropScience – Attractive AgChem Pipeline to Foster Future Growth



# Well-Filled Traits Pipeline in BioScience



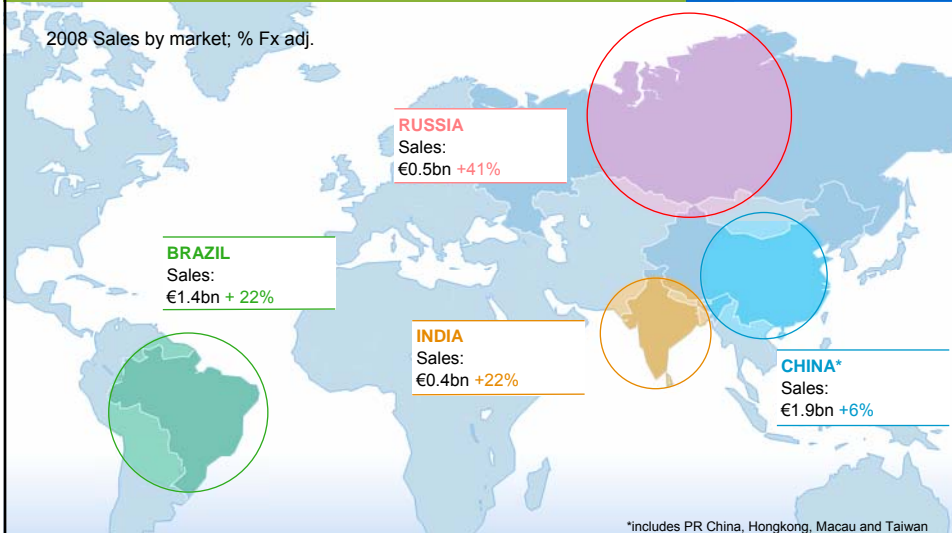
# BRIC: Market leading positions in fast growing markets



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

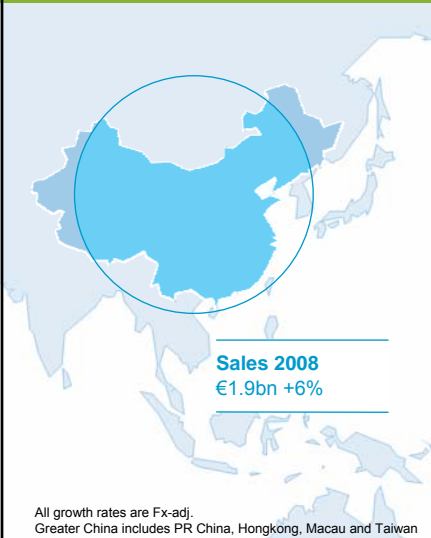


2008 Sales by market: % Fx adj.



\*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

## Q3 Performance and FY'09 Outlook



### Q3'09 – Back on the uptrend

- Underlying EBITDA slightly above prior year level for the first time this year
- HealthCare again strong – weak quarter at CropScience – MaterialScience substantially improved
- Net financial debt at €10.7bn, down €1bn compared to end Q2
- Group Outlook reaffirmed

## Q3 2009 – Underlying EBITDA Above Prior Year Despite Negative Fx-Effect

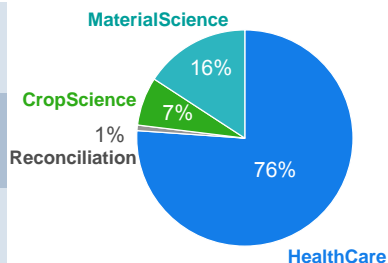


### Key Figures

### Underlying EBITDA by Subgroup

In € million, Δ% y-o-y

	Sales	EBITDA*	EBIT*	Core EPS
	7,392	1,499	837	€0.78
Δ%	- 7%	+0.4%	- 6%	-8%
Δ% Adj. **	- 7%			



\* Before special items

\*\* Currency & portfolio adjusted

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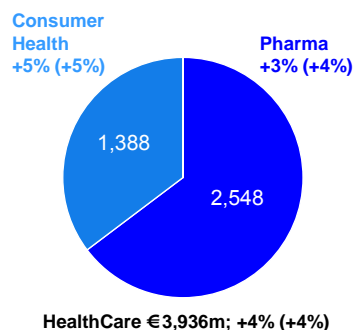
## HealthCare – Again With Strong Quarter



### Q3 '09 Sales

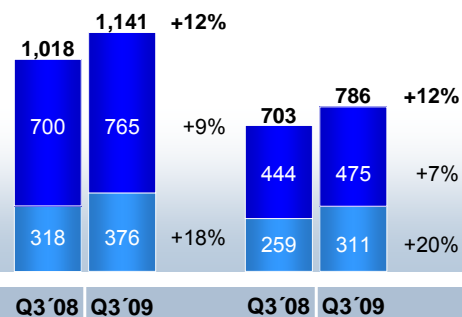
### Earnings

In € million, Δ% y-o-y



#### Underlying EBITDA

#### Underlying EBIT



( ) Currency & portfolio adjusted

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## Cash Flow and Net Debt Development



### Q3'09 Cash Flow

### Net Debt Development

In € million

	GCF	NCF cont.	Investments	oFCF
	1,172	1,517	420	1,097
Δ % y-o-y	0%	+23%	-15%	+48%

In € billion



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## 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

Slight growth in Q4 versus strong prior year quarter and improvement of full year underlying EBITDA margin towards 28%

#### ■ CropScience – updated

Higher sales in Q4 and FY 2009, underlying EBITDA margin between 23 and 24% (prev. 25%)

#### ■ MaterialScience – updated

Q4'09 underlying EBITDA below Q3'09 level but well above Q4'08

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## 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
Wednesday, February 24, 2010	Supervisory Board Meeting	Dividend Proposal
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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