



Science For A Better Life

HealthCare

CropScience

MaterialScience

# Bayer R&D Investor Day 2005

December 8, 2005 | London



# Bayer



Bayer R&D Investor Day 2005  
Generating Value through Growth and Innovation

**Werner Wenning**  
CEO  
Bayer AG

## Forward Looking Statements



This presentation contains forward-looking statements based on current assumptions and forecasts made by Bayer Group 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 our public reports filed with the Frankfurt Stock Exchange and with the U.S. Securities and Exchange Commission (including our Form 20-F). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.



- Achieving or exceeding committed objectives
- Exploiting the commercial potential of leadership positions
- Developing future growth opportunities
- Generating value for our shareholders

## Already Excellent Progress against Defined Milestones / Committed Objectives



Q1-Q3 2004	Major Milestones Achieved	Q1-Q3 2005
<b>Sales:</b> <b>€17.2 billion</b>	<ul style="list-style-type: none"> <li>■ Lanxess successfully spun off</li> <li>■ Pharma business refocus</li> <li>■ Acquisition of Roche Consumer Health</li> <li>■ Filing of Nexavar in US and EU</li> <li>■ Cooperation with J&amp;J for Factor Xa inhibitor</li> <li>■ Launch of two new active ingredients at CropScience</li> <li>■ Capacity additions at MaterialScience</li> </ul>	<b>Sales:</b> <b>€20.3 billion</b>
<b>Clean EBIT:</b> <b>€1,719 million</b>		<b>Clean EBIT:</b> <b>€2,685 million</b>
<b>Net income:</b> <b>€617 million</b>		<b>Net income:</b> <b>€1,551 million</b>

Bayer R&D Investor Day • London • December 8, 2005 • Werner Wenning • Page 5

## R&D is a Core Element of our Strategy



R&D Budget 2005	Structure
<p><b>Total Budget 2005:</b> <b>€ 1.9 billion</b></p>	<p>R&amp;D in subgroups</p> <ul style="list-style-type: none"> <li>■ Subgroups are managing their own R&amp;D activities</li> <li>■ Proximity to market and customer needs</li> </ul> <p>New Business Development</p> <ul style="list-style-type: none"> <li>■ Focused evaluation of new products, technologies, applications and of markets currently outside the activities of the subgroups</li> <li>■ Management of the interfaces between different units and disciplines</li> <li>■ <b>triple-i</b> initiative to evaluate new business ideas (e.g. from employees)</li> <li>■ <b>Bayer Innovation GmbH</b> to manage innovation projects in growth areas outside of subgroups' core businesses</li> </ul>

Bayer R&D Investor Day • London • December 8, 2005 • Werner Wenning • Page 6

## Our R&D Strategy is Delivering Results



- A pharmaceuticals pipeline with the potential to transform the business
- A world-class CropScience pipeline
- A wide range of new applications for our high-tech materials
- The technology and cost leadership in production processes
- Innovation projects in new technology fields beyond current business scope



Bayer R&D Investor Day • London • December 8, 2005 • Werner Wenning • Page 7

## We Continue to Build our Pharma / Biologicals Pipeline



- NSCLC as additional opportunity for Nexavar
- Factor Xa inhibitor now in Phase III for VTE prevention with once-daily dosing
- Currently 7 proof-of-concept candidates for 2006 in early pipeline
- 3 Phase II transitions expected during 2006
- Life-cycle innovations in Kogenate and Trasylo<sup>l</sup>

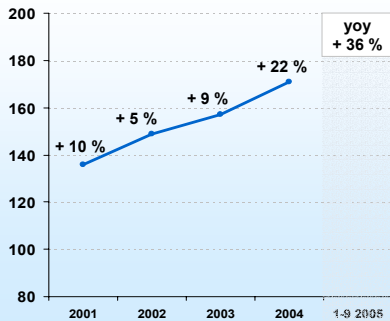


Bayer R&D Investor Day • London • December 8, 2005 • Werner Wenning • Page 8

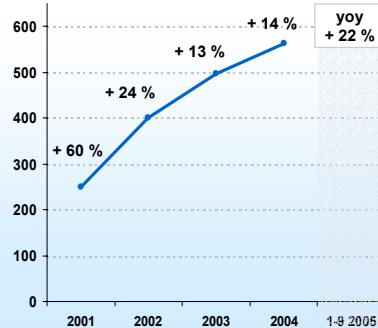
## Sustainable Value Contribution from Life-Cycle Innovations



### Trasylol sales in € million



### Kogenate sales in € million



- Additional surgery indications
- Recombinant product

- Liposomal formulation
- Kogenate protein modification

Bayer R&D Investor Day • London • December 8, 2005 • Werner Wenning • Page 9

## Our Pharma-Pipeline has the Potential to Transform the Business



	Projects	Product peak sales potential
<b>Nexavar</b>	RCC Melanoma Hepatocellular NSCLC	> €1 billion
<b>Factor Xa Inhibitor</b>	VTE prevention VTE treatment Stroke prevention in A'fib	> €1 billion
<b>Kogenate</b>	Liposomal formulation Protein modification	> €1 billion
<b>Trasylol</b>	Hip surgery Spinal surgery Recombinant protein	> €500 million

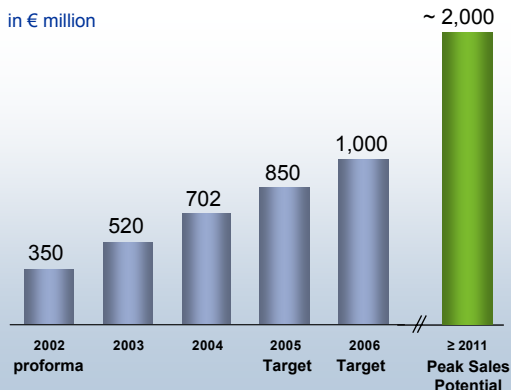
Bayer R&D Investor Day • London • December 8, 2005 • Werner Wenning • Page 10

# We are Innovation Leader in Crop Protection Solutions



Sales of new active ingredients launched since 2000

in € million



2000 – 2005

2006 – 2011

FLINT

HUSSAR

calypso

ATLANTIS

Maister

PONCHO

PROLINE

...

Total 16

4 Fungicides

4 Herbicides  
(incl. Safener)

2 Insecticides  
(incl. Ketoenol #3)

Total 10

On average we expect to launch 2 new active ingredients per year

# BioScience: Aiming beyond the Farm Gate



## "In the making"

### Agronomic Traits

2<sup>nd</sup> generation  
insect control  
Herbicide  
tolerance



### Modified Starch

Specifically  
adapted for  
industrial use



### Modified Canola Oil

From commodity  
to specialty



## Opportunities

### Plant-made Pharmaceuticals

Competencies  
to create  
new business



### Future Agronomic Traits

Abiotic stress  
tolerance



### BioMaterials & Nutrition

Exploring future  
opportunities



## We are Developing new Applications for our High-Tech Materials



**Waterborne 2K-PUR-Coating**  
Meeting ecological requirements



Printable aliphatic **Desmopan** films for improved mechanical properties & light stability



**Aspartates** for innovative corrosion protection



**Multitec**  
Short Fiber Spraying – Fast, efficient process



**New Makroblend product lines** for use in automotive exterior parts - high toughness even at low temperatures



**ETICS**  
External thermal insulation composite system



Flame resistant **Bayblend** grades with Eco-label compliance



**Bayflex Light Weight**  
Density reduction, excellent dynamic compression set performance



New scratch-resistant **Makrolon** grades for automotive glazing



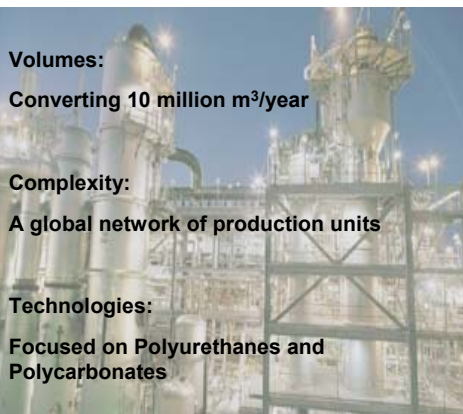
**Baytron** – conductive polymer for capacitors, electrodes and antistatics



More than 20% of 2004 sales achieved with products less than 5 years old

Bayer R&D Investor Day • London • December 8, 2005 • Werner Wenning • Page 13

## Bayer's Process Technology Sets Global Standards



**Volumes:**  
Converting 10 million m<sup>3</sup>/year

**Complexity:**  
A global network of production units

**Technologies:**  
Focused on Polyurethanes and Polycarbonates

- Defining what “world-scale“ means
- Applying state-of-the-art processes
- Ensuring chemical reaction efficiency

Bayer R&D Investor Day • London • December 8, 2005 • Werner Wenning • Page 14



Science For A Better Life

HealthCare

CropScience

MaterialScience

# Bayer R&D Investor Day 2005

December 8, 2005 | London