



# Bayer CropScience



## CropScience Analyst & Investor Days

September 5 - 6, 2005  
Lyon, France



# Bayer CropScience

## CropScience Analyst & Investor Days

**Shaping the Environmental Science Markets  
as a Dedicated World Leader**

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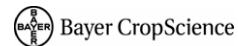
Pascal Housset  
CEO Bayer Environmental Science  
President Bayer CropScience SA

## Forward Looking Statements

This presentation contains forward-looking statements based on current assumptions and forecasts made by Bayer AG and Bayer CropScience AG 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 Bayer CropScience AG or our parent company, Bayer AG, and the estimates given here. These factors include those discussed in Bayer AG's public reports filed with the Frankfurt Stock Exchange and with the U.S. Securities and Exchange Commission (including Bayer AG's Form 20-F). Neither Bayer AG nor Bayer CropScience AG assume any liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

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## Environmental Science

### Overview

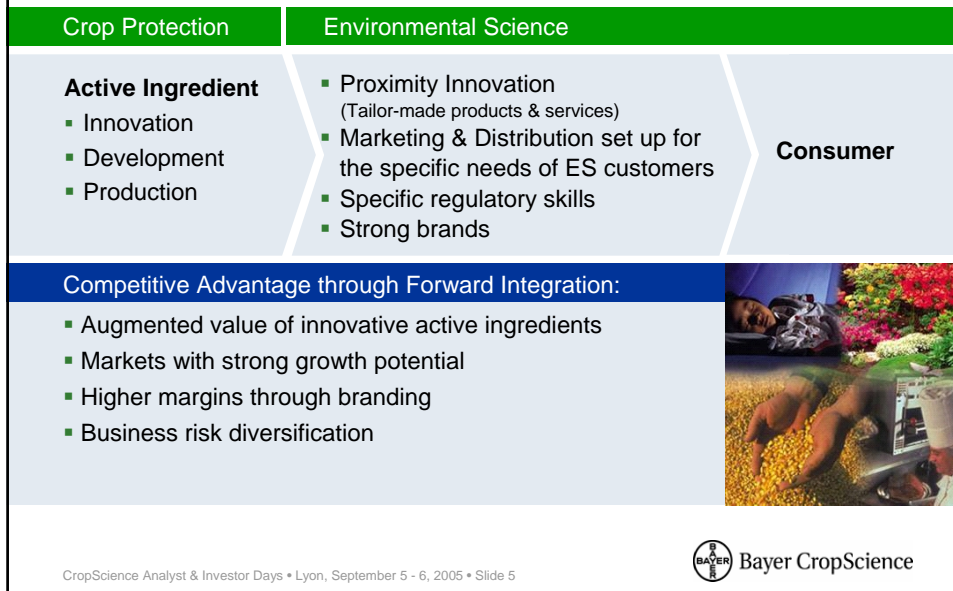
- Our Markets
- Our Position
- Key Drivers and Success Factors
- Our Competencies and Competitive Advantages



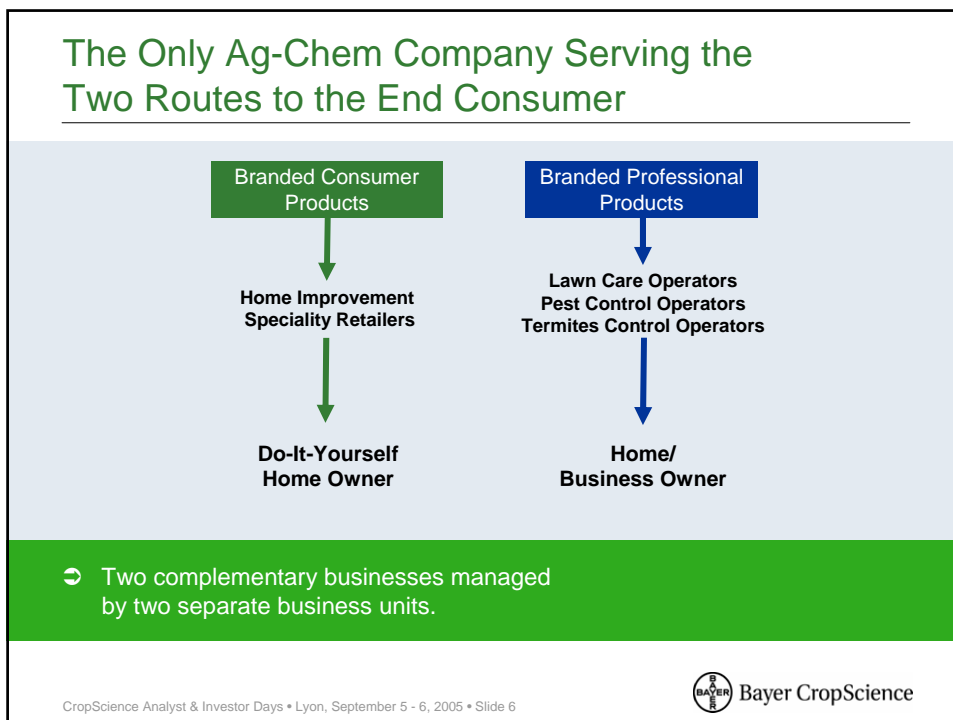
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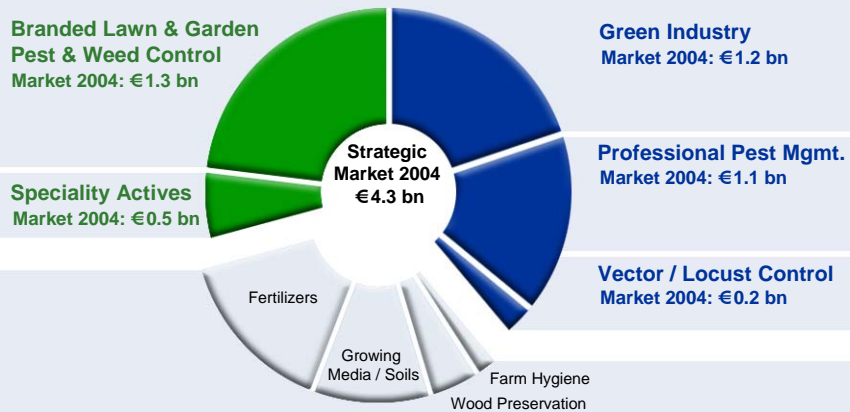
## Access to Attractive Branded Product Markets Outside Crop Protection



## The Only Ag-Chem Company Serving the Two Routes to the End Consumer

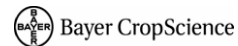


## Our Market is a Cluster of Very Different Market Segment



- Consumer Segment: Products for Consumers Home & Gardening Needs
- Professional Segment: Pest Control Solutions for Professionals
- Non Strategic Market Segments

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## Which Market Segments Do We Operate in?

### Consumer Products

#### Branded Lawn & Garden Products Pest & Weed Control

Pest & weed control solutions for do-it-yourself gardeners (includes fertilizer / insecticide / herbicide combinations)

- A € 1.3 bn market opportunity, growing at 2 - 3 % p.a.
- Insecticides and herbicides representing 90 % of the market
- 70 % of the market is in North America
- Bayer position: # 3

Our main customers include:

LOWE'S, Home Depot, Wal\*Mart, OBI, B&Q/Castorama



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## Which Market Segments Do We Operate in?

### Consumer Products

#### Speciality Actives

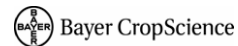
Sales of active ingredients and concentrates to household insecticide consumer marketers and lawn & garden consumer marketers

- A stable market of € 0.5 bn
- Predominantly insecticides and herbicides
- Lawn & garden is driven by North America, 60 % of household insecticide market in Asia
- Bayer position: # 2

Our main customers include:  
SC Johnson, Scotts, TechPac, Sumitomo



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## Which Market Segments Do We Operate in?

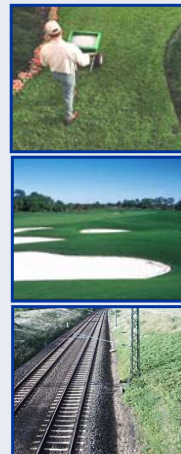
### Professional Products

#### Green Industry

Turf, lawn & ornamentals - lawn care operators  
Golf & sport facilities, nurseries, cities / parks  
Industrial vegetation management; railways / roads, forestry

- A € 1.2 bn market, growing at ~1 % p.a.
- Turf & ornamentals, combining more than 2/3 of the market and representing the high value segments
- 66 % of the market are in North America
- Bayer position: # 1

Our main customers include:  
Lesco, Prokoz, DB/SNCF, TrueGreen/Chem Lawn, Verdicon



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## Which Market Segments Do We Operate in?

### Professional Products

#### Professional Pest Management

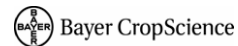
General insect and rodent control  
Termite control  
Stored products (agricultural commodities)

- Market size € 1.1 bn, growing at ~1.5 % p.a.
- 100 % insecticide market but highly segmented
- Globally driven market segment
- Bayer position: # 1

Our main customers include:  
Univar, Speckoz, Terminix, Orkin



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## Which Market Segments Do We Operate in?

### Professional Products

#### Vector / Locust Control

Insect-borne disease control (Malaria, Chagas...)  
Urban mosquito control

- Market size € 0.2 bn, growing at 2 - 3 % p.a.
- Driven by donor / funding community
- Primarily in southern hemisphere countries
- Bayer position: # 1

Our main customers include:  
UNICEF, NGO's, Ministries of Health

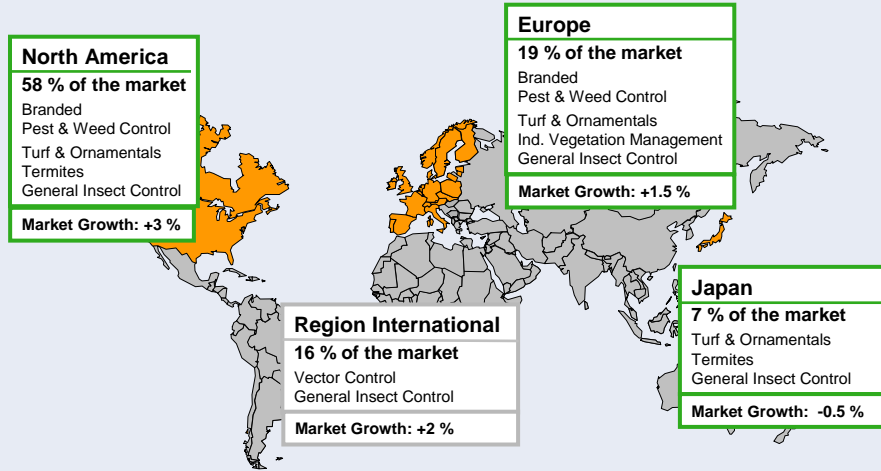


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## North America, Europe and Japan Represent more than 80% of our Strategic Market

Relevant Market Size: € 4,280 m



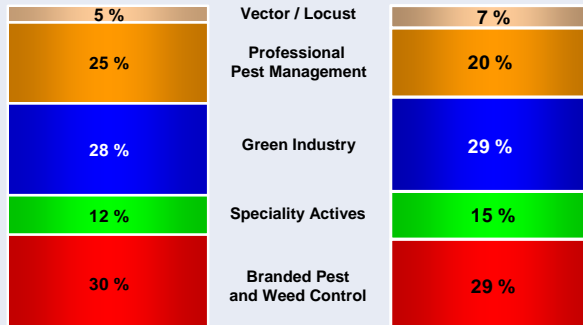
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## A Balanced Presence in the Environmental Science Global Strategic Markets

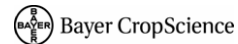
Global Market  
2004\*  
€4,280 million

Environmental Science  
Sales 2004  
€678 million

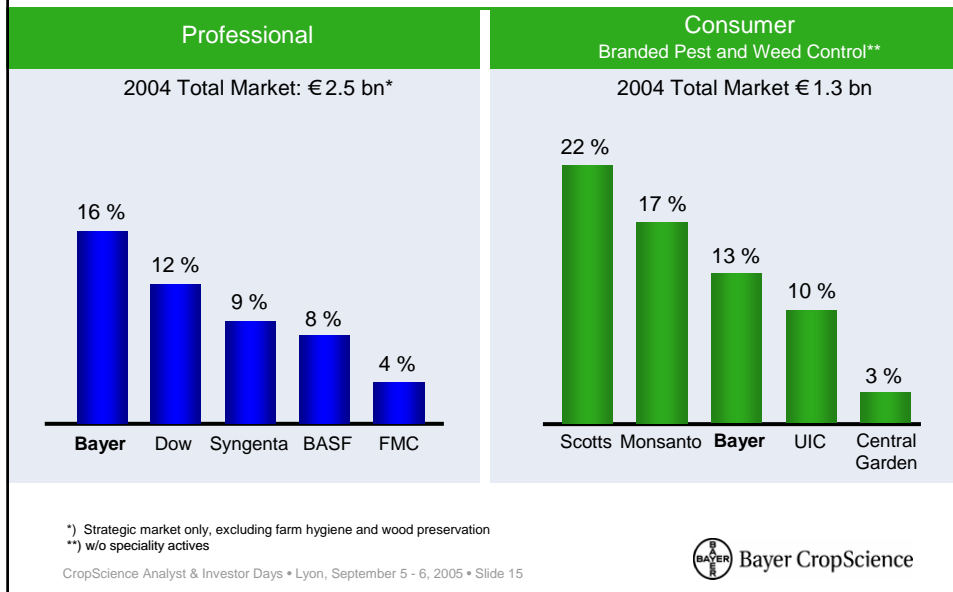


\*) Strategic market: excluding fertilizers and growing media, farm hygiene and wood preservation

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## Leading Position in ES Professional and Consumer Markets



## The Key Growth Drivers for Both Businesses are very Positive

Trends	Consequences
<ul style="list-style-type: none"> <li>◆ Cocooning and aging</li> </ul>	<ul style="list-style-type: none"> <li>◆ Driver of market growth in Branded Lawn &amp; Garden and Lawn Care business</li> </ul>
<ul style="list-style-type: none"> <li>◆ Increased hygiene and health awareness</li> </ul>	<ul style="list-style-type: none"> <li>◆ Driving growth in Professional Pest Mgmt., Vector Control and Lawn&amp; Garden</li> </ul>
<ul style="list-style-type: none"> <li>◆ Growing importance of brands</li> </ul>	<ul style="list-style-type: none"> <li>◆ Strong umbrella brands increase business value and raise hurdle for generic entry</li> </ul>
<ul style="list-style-type: none"> <li>◆ Safe, easy-to-use delivery solutions in Professional and Consumer markets</li> </ul>	<ul style="list-style-type: none"> <li>◆ Increase of baiting solutions in Professional and Ready-To-Use mixtures in Consumer</li> </ul>
<ul style="list-style-type: none"> <li>◆ Higher, more Environmental Science specific regulatory hurdles</li> </ul>	<ul style="list-style-type: none"> <li>◆ Raises costs but also hurdles for generic entry into the market</li> </ul>
<ul style="list-style-type: none"> <li>◆ Growing urbanization and income level</li> </ul>	<ul style="list-style-type: none"> <li>◆ Driver of long term market growth ex US, Europe and Japan</li> </ul>
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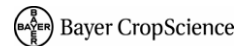


## Key Success Factors to Exploit the Full Value of the Environmental Science Business

- Presence in all Environmental Science professional segments with a broad product portfolio based on Bayer CropScience 'in-house' active ingredients
- Strong brands in Environmental Science markets
- Dedicated marketing, sales and customer support organizations
- Competence in proximity innovation

➔ Bayer Environmental Science is well positioned to meet the key success factors of its business

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## Competence in Proximity Innovation

### Generating Tailor-made Products for our Customers

From aerial applications to impregnated bed nets



From liquid applications to plant pins with month-long insect control



From sprays and dust to gel and foam baits



➔ Key objectives of proximity innovation are easy application, convenience and user safety

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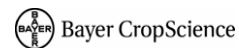
## Fire Ants – An Opportunity in a Fast Growing Market

### Professional Fire Ant Control

- Red imported fire ants (RIFA) are very aggressive stinging insects
- Infesting more than 300 million acres in the southern U.S.
- Primary insect problem for Southern home lawns, schools, parks, business and industrial sites.
- Nearly 60 % of residents living in infested areas are stung each year.



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## Fire Ants – An Opportunity in a Fast Growing Market

### topchoice™

- Heighten awareness of fire ants as a serious public health pest
- Increase awareness of and demand for top choice brand
- Creating consumer demand in the lawn care professional segment



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## Leveraging the BAYER Brand in Both Businesses

**Consumer** Corporate Umbrella Brand Strategy

Solutions  
from  
Bayer




**Professional** 'One product – One brand' Strategy

 **BACKED  
by BAYER™**

➔ Specific branding strategies for the Consumer and the Professional Segment, build on Bayer brand value

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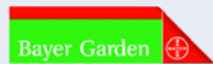
## Focus on Strong Brands

- Rationalization of 90 active ingredients from 2002 to 2007 (to 110 a.i.'s)
- Balanced portfolio of brands in all relevant market segments

**Consumer**  
Pest & Weed Control



Umbrella brand US



Umbrella brand Europe

**Green Industry**

**MERIT®**

Broad spectrum  
insecticide

**26GT®**

Contact fungicide

**Prof. Pest  
Management**

**MAXFORCE**

Insecticide gel

**PREMISE®**

Termiticide

**Vector/Locust  
Control**

**K-O-TAB®**

Insecticide tablet

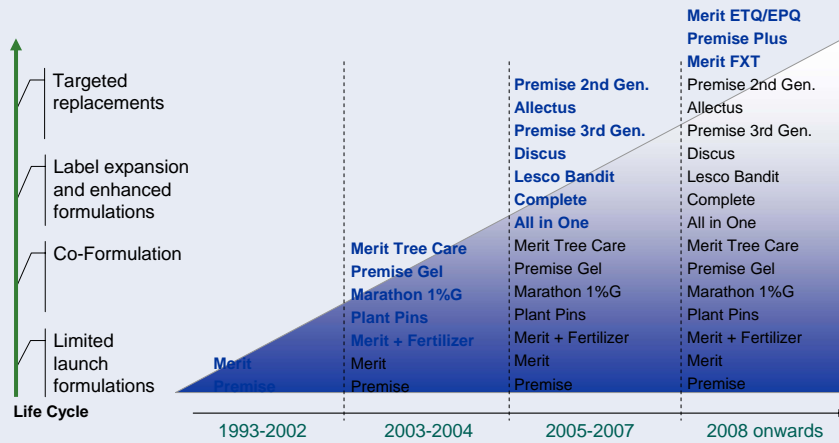
**K-Othrine®**

Contact insecticide

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## Imidacloprid – Lifecycle Extension through Proximity Innovation

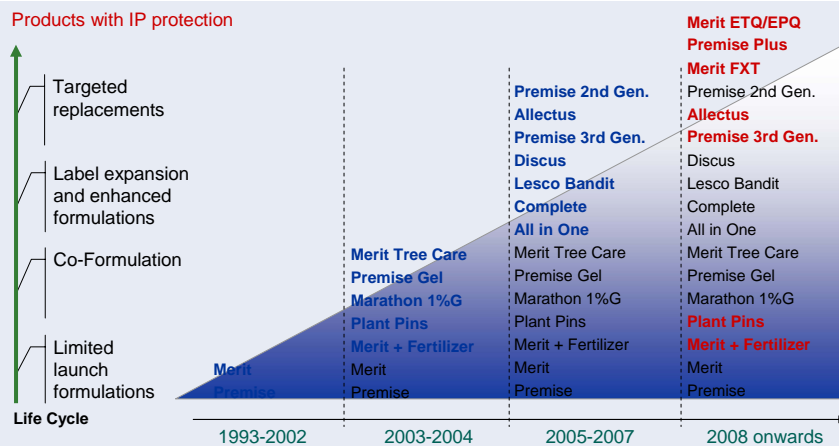


➔ Proximity innovation and branding - important tools in market segmentation and product differentiation

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## Imidacloprid – Lifecycle Extension through Proximity Innovation

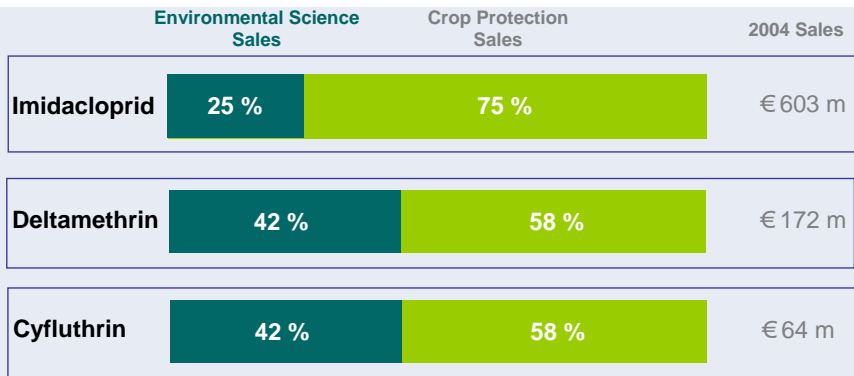


➔ Proximity innovation and branding - important tools in market segmentation and product differentiation

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## Exploiting the Full Value of our Active Ingredients

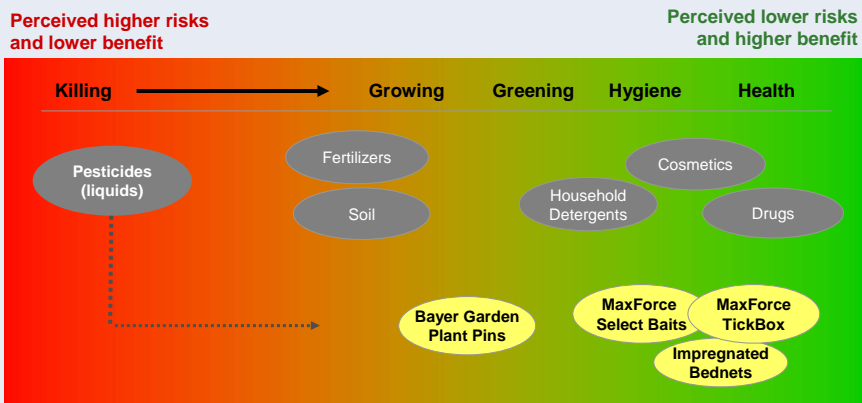


⇒ Environmental Science products add significantly to the potential of our active ingredients

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## Increasing Consumer Acceptance by Shifting from Killing Insects & Weeds to Providing Health & Greening Solutions

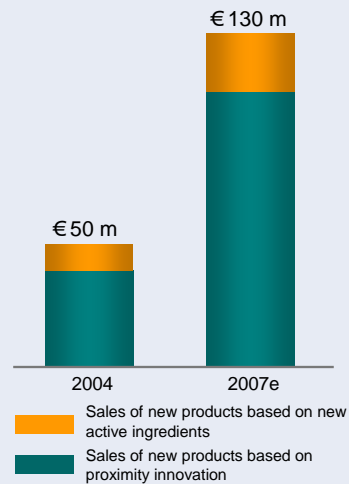


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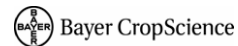
## New Products Driving above Market Growth

- Environmental Science market expected to grow 1 – 2 percent per annum.
- Bayer Environmental Science intends to grow 3 percentage points above market.
- New products\* expected to drive above market growth.
- Biggest contribution from products based on proximity innovation.



\* new products launched since 2003

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## Adding Value to Bayer CropScience

- Strong brands
- Capturing the full market potential of our active ingredients
- Sustaining the product lifecycle
- Exploiting attractive growth potential and above average margins

Bayer Environmental Science -  
A leading force in its industry

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Your partner for growth