



**Science For A Better Life**



## **Non-Deal Debt Roadshow**

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# Disclaimer

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.



## ■ Update on Bayer Group

### ■ Bayer's Subgroups at a Glance

### ■ Credit Profile and Outlook



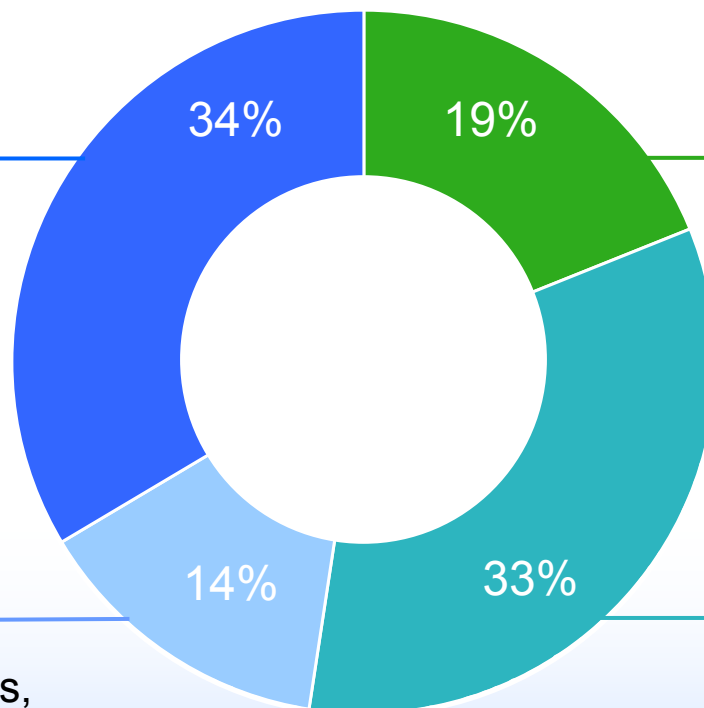
# The New Bayer – A Leader in its Markets

## Pharmaceuticals

€10.2bn (pro forma),  
global #6 in Rx specialty  
pharmaceuticals

## Consumer Health

€4.2bn OTC pharmaceuticals,  
blood glucose meters and  
veterinary medicines,  
global #2-4



## CropScience

€5.7bn agrochemicals and  
seeds business,  
global #1 in agrochemicals

## MaterialScience

€10.2bn polyurethanes and  
polycarbonate business,  
global #1

**Group €31.7bn  
2006 pro-forma sales**

Break-down excluding reconciliation sales



# Transformation Strategy Has Paid Off

## Achievements between 2002 and 2006

### Delivering growth and performance

- Returns over cost of capital at record levels
- Underlying EBIT quadrupled from €828m to €3.5bn
- Interim target of 19% underlying EBITDA margin achieved

### Driving the HealthCare focus

- Portfolio balance shifted towards HealthCare (from 32% to pro-forma 48%)
- Rx and OTC pharmaceuticals businesses doubled in size
- Market leader in agrochemicals
- All mature chemicals activities exited in several stages

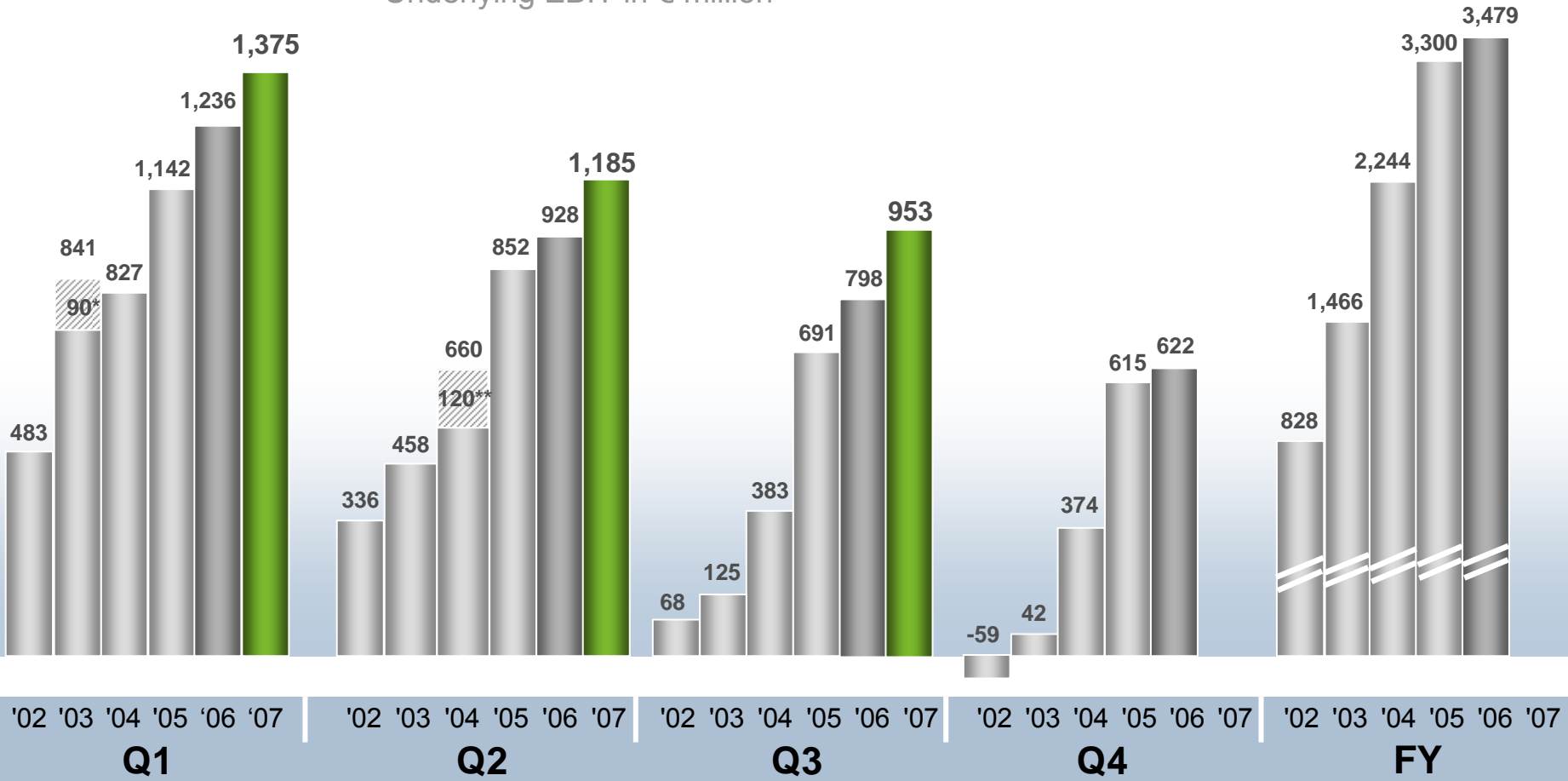
### Developing new growth opportunities

- Value of pharmaceutical pipeline significantly increased
- €1bn sales target for new CropScience products achieved
- MaterialScience business expanded into China

# 19 Consecutive Quarters With Y-o-Y Underlying EBIT Improvement



Underlying EBIT in € million



2002 underlying EBIT as reported in FY 2003  
 2003 underlying EBIT as restated in 2004  
 2004 underlying EBIT as reported in 2004  
 2005 underlying EBIT as reported in 2005  
 2006 underlying EBIT as reported in 2006

\* Including €90m EBIT from divested products  
 \*\* Including €120m reversal of pension provisions



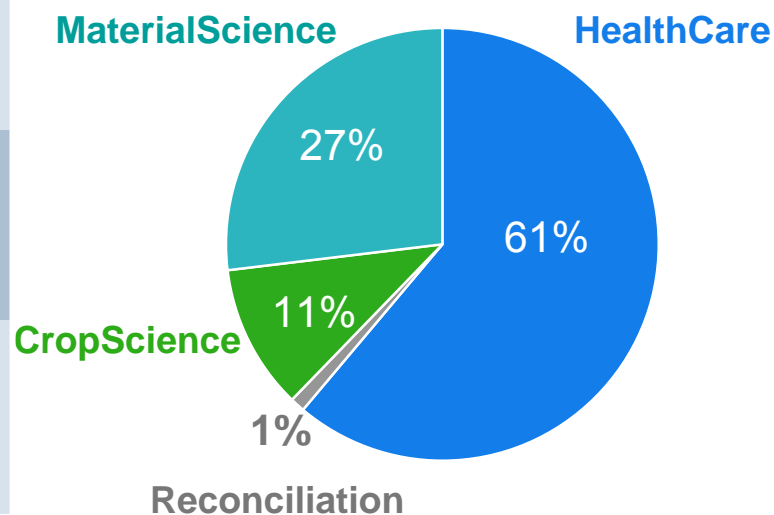
# Q3 2007 – Upward Trend Unabated

## Key Figures

## Underlying EBITDA by Subgroup

In € million,  $\Delta\%$  y-o-y

	<b>Sales</b> 7,793	<b>EBITDA*</b> 1,559	<b>EBIT*</b> 953	<b>Core EPS</b> €0.81
$\Delta\%$	+4%	+7%	+24%	+5%
$\Delta\%$ Adj. **	+7%			



\* Before special items

\*\* Currency & portfolio adjusted



## Further Strategic Progress in 9M 2007

- Integration of Schering progressing well
- €300m restructuring program initiated at Bayer MaterialScience
- Extension of Kogenate supply agreement with CSL Behring
- Acquisition of US biologicals manufacturing facility of Betaferon from Novartis
- Acquisition of US cotton seed company Stoneville
- Granted Monsanto a non-exclusive, royalty-bearing license for our LibertyLink herbicide technology for use in corn and soybean
- Alliance with Medtronic to provide blood glucose meters to their patients outside US
- Inlicensed rThrombin, inhaled Amikacin
- Acquisition of Citracal brand to strengthen the US Consumer Care business
- Closing of Diagnostics, H.C. Starck and Wolff Walsrode divestment
- Sale of Hennecke, a polyurethane processing machinery company, to Adcuram
- Collaboration with Mertec and M.S. Technologies to co-develop new soybean trait products



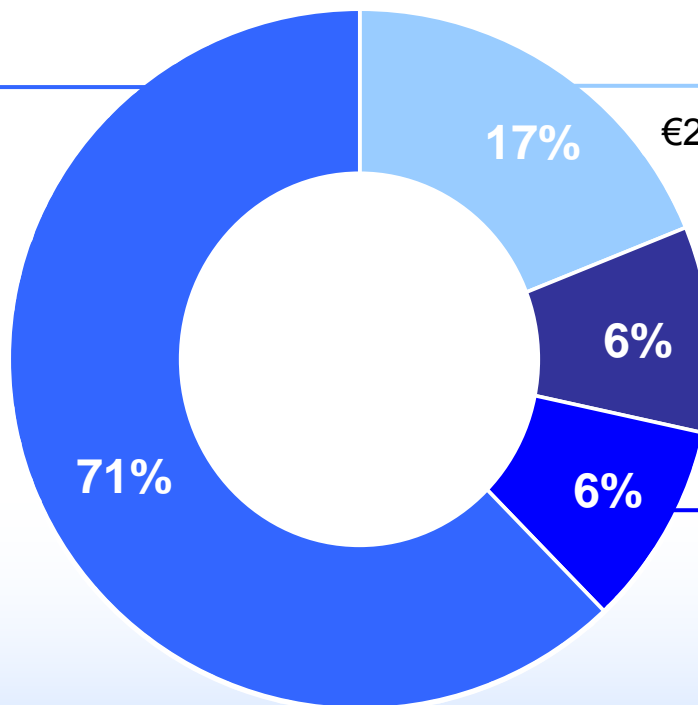
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# Bayer HealthCare at a Glance

## Pharmaceuticals

€10.2bn (pro forma),  
Rx specialty  
pharmaceuticals;  
**#6** with leading  
positions in  
key therapeutic  
categories



## Consumer Care

€2.5bn OTC pharmaceuticals; **#2** with some  
of the world's most recognized brands

## Diabetes Care

€800m blood glucose meters  
**#3-4** with new and improved products

## Animal Health

€900m veterinary medicines  
**#4** with leading growth and  
profitability

### Key figures 2006

Sales: €14.4bn (pro-forma)

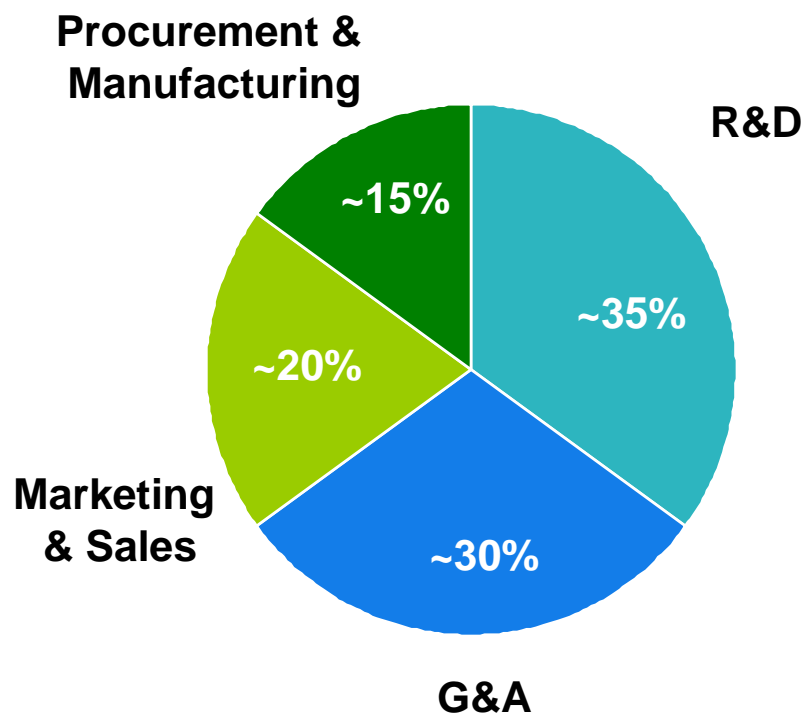
EBITDA underlying: €2,613m (margin 22.3%)

Employees: ~51,000

# Schering Integration Running Faster Than Planned and Creating More Synergies Than Anticipated



## Savings by function



- Synergy target raised from originally €700m to >€800m primarily from R&D and G&A
- Synergy target increased for 2007 from €250+ to approx. €300m
- 80% expected to be realized by year-end 2008
- Net integration costs\* of approx. €1bn\*\* assumed

\* excluding work-down of step up of inventories and impact of purchase price allocation

\*\* 2006: €179m, 2007e: € 650–700m

# Our Late Stage Pharma Pipeline Has the Potential to Transform the Business



Project	Indication	Estimated launch	Peak sales potential (in €m)
Nexavar	Renal Cell Cancer (Kidney Cancer)	Launched	500 (EU,NA,J)
	Hepatocellular Cancer (Liver Cancer)	Launched	
	Non-Small Cell Lung Cancer	2009	>750
	Breast Cancer	2013	>750
Rivaroxaban	VTE Prevention	2009	>2,000
	Medical ill	Filing expected 2011	
	DVT Treatment	2011	
	Stroke Prevention in AFIB	2011	
	Acute Coronary Syndrome	2013	
VEGF Trap-Eye	Wet AMD	2011	250 - 500
Alemtuzumab	Multiple Sclerosis	2012	750 - ≥1,000
Yasmin/Yaz incl. Life Cycle Mgmt.	Oral contraception; PMDD; Acne	Launched	>1,000
Kogenate incl. Life Cycle Mgmt.	Hemophilia A incl. Kogenate Liposomal	Launched 2011/2012	>1,000



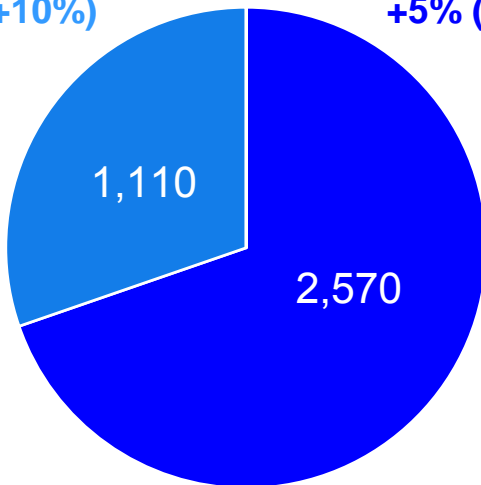
# Q3 2007 – Business Momentum Gained

## Q3'07 Sales

In € million, Δ% y-o-y

**Consumer Health**  
+7% (+10%)

**Pharma**  
+5% (+8%)

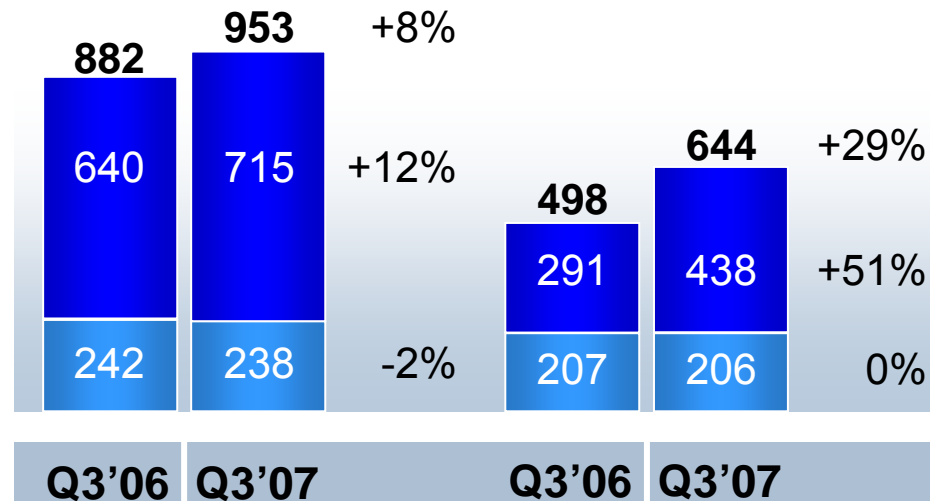


**HealthCare €3,680m; +6% (+9%)**

## Earnings

### Underlying EBITDA

### Underlying EBIT



( ) Currency & portfolio adjusted



# Bayer CropScience at a Glance

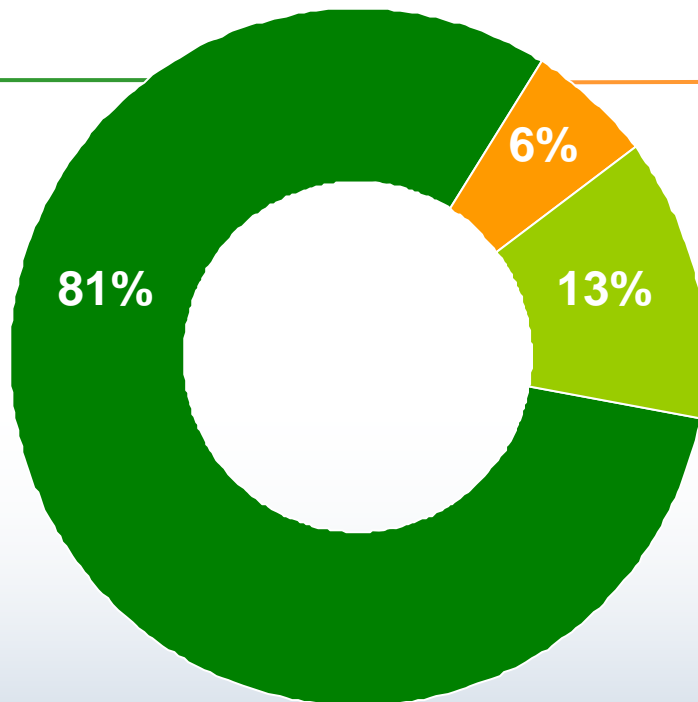
## Crop Protection

€4.6bn

Insecticides (#1),  
Herbicides (#3),  
Fungicides (#2) and Seed  
Treatment products (#1)

Operations in some 120  
countries

Best-in-class R&D pipeline



## BioScience

€342m

Focus on 3 agricultural crops  
(cotton, canola and rice) and  
vegetable seeds

## Environmental Science

€714m

Professional Products for weed  
and pest control in non-farm  
applications (#1)

Consumer products for gardeners  
and home-owners (#3)

### Key figures 2006

Sales: €5.7bn

EBITDA underlying: €1,204m (margin 21.1%)

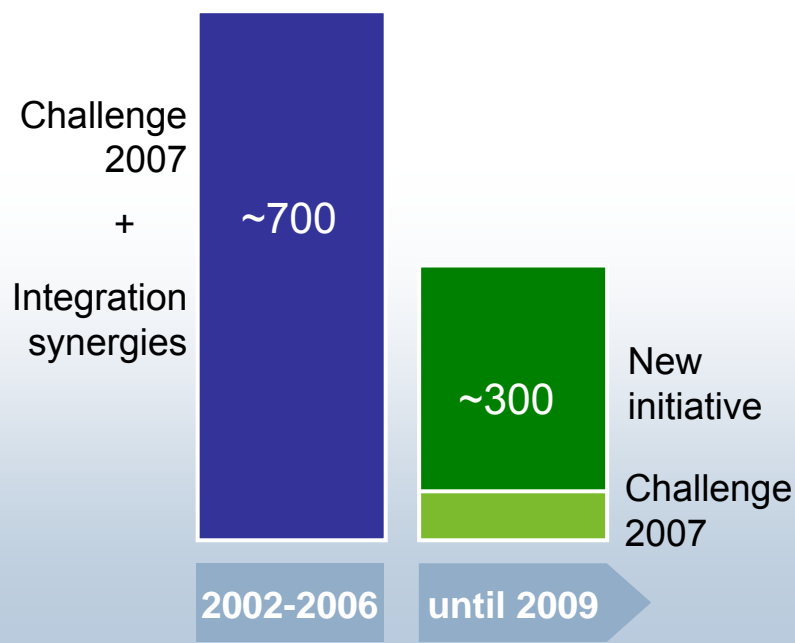
Employees: 17,900



# Restructuring Actions to Improve the Cost Base

## Current efficiency programs and new savings initiative

In € million



- Approx. €300m savings p.a. targeted with new efficiency initiative
- Expected cash charge of approx. €330m along with write-downs of about €120m
- Initiative expected to become mainly effective in 2009; accretive to EBIT starting 2008
- In 2007, fresh savings of about €130m anticipated from the performance programs; special items in the range of €150 – 200m

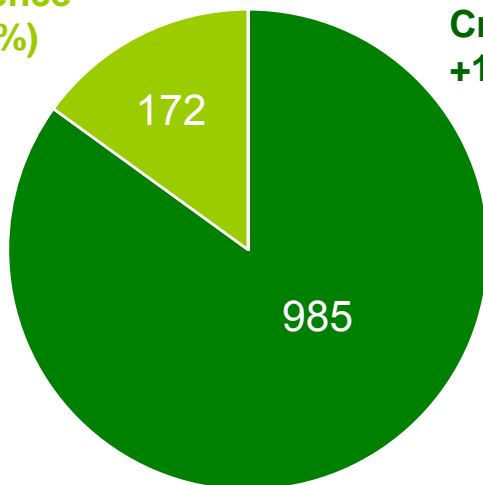


# Q3 2007 – Strong Business Expansion

## Q3'07 Sales

In € million, Δ% y-o-y

**Environmental Science/  
BioScience**  
-3% (-1%)

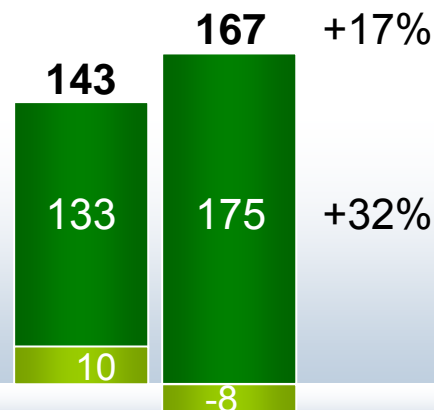


**Crop Protection**  
+13% (+15%)

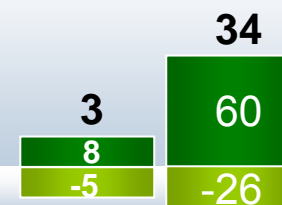
**CropScience** €1,157m; +10% (+12%)

## Earnings

### Underlying EBITDA



### Underlying EBIT



Q3'06 | Q3'07

Q3'06 | Q3'07

( ) Currency & portfolio adjusted



# Bayer MaterialScience at a Glance

## Polycarbonates

#1; approx. 30% market share

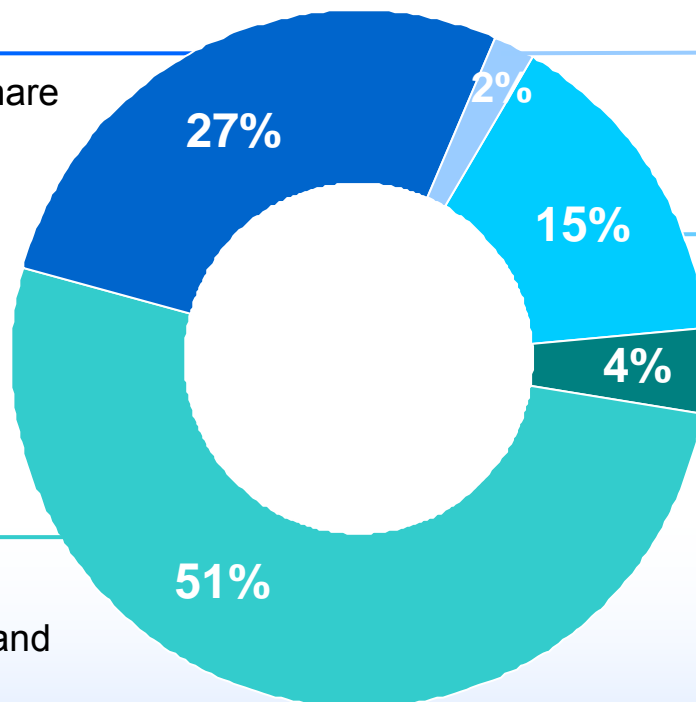
Main brand: Makrolon

Applications:  
electro/electronics,  
construction, automotive,  
sports / leisure

## Polyurethanes

#1; 25% market share

Applications: mainly rigid and  
soft foams



## Thermoplastic Polyurethanes

#1; approx. 20% market share

## Coatings, Adhesives, Sealants

#1; >40% market share  
Applications: transport & automotive,  
construction, furniture & wood

## Inorganic Basic Chemicals

Internal supplier of chlorine, sodium  
hydroxide solution, hydrogen,  
hydrochloric acid

### Key figures 2006

Sales: €10.2bn

EBITDA underlying: €1,677m (margin 16.7%)

Employees: 14,900

# €300m Restructuring Initiatives Reduce Costs and Realign Organization



- Phasing of realized savings and related costs splits roughly equally between 2008 and 2009
- Related special charges expected at €150–200m
- Process and cost optimization in the operation and maintenance of production facilities worldwide
- Realigned business models (bulk vs. downstream) with clearly differentiated marketing concepts and budgets
- Significant reduction of G&A costs through reduced complexity of corporate structures
- Reduction of personnel costs by cutback of about 1,500 positions worldwide

## Savings by functions in 2009



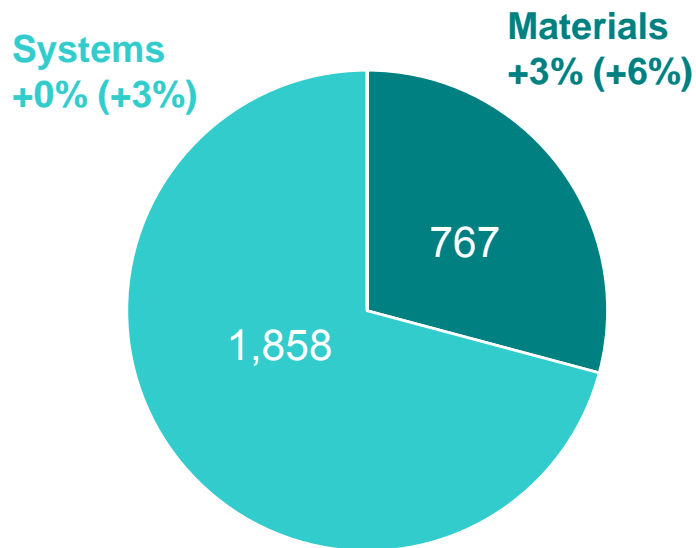
- Manufacturing and Procurement
- Marketing and Sales
- General and Administration
- Research and Development



# Q3 2007 – Margins up on Higher Prices

## Q3'07 Sales

In € million, Δ% y-o-y

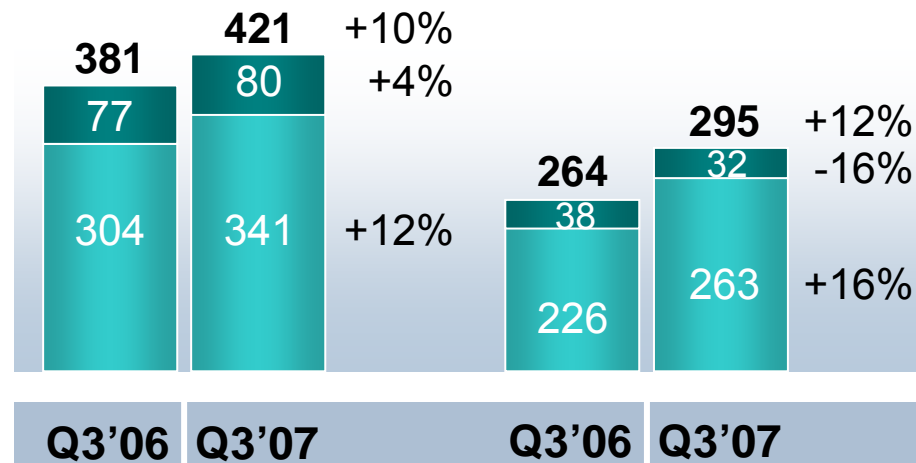


MaterialScience €2,625m; +1% (+4%)

## Earnings

### Underlying EBITDA

### Underlying EBIT



( ) Currency & portfolio adjusted

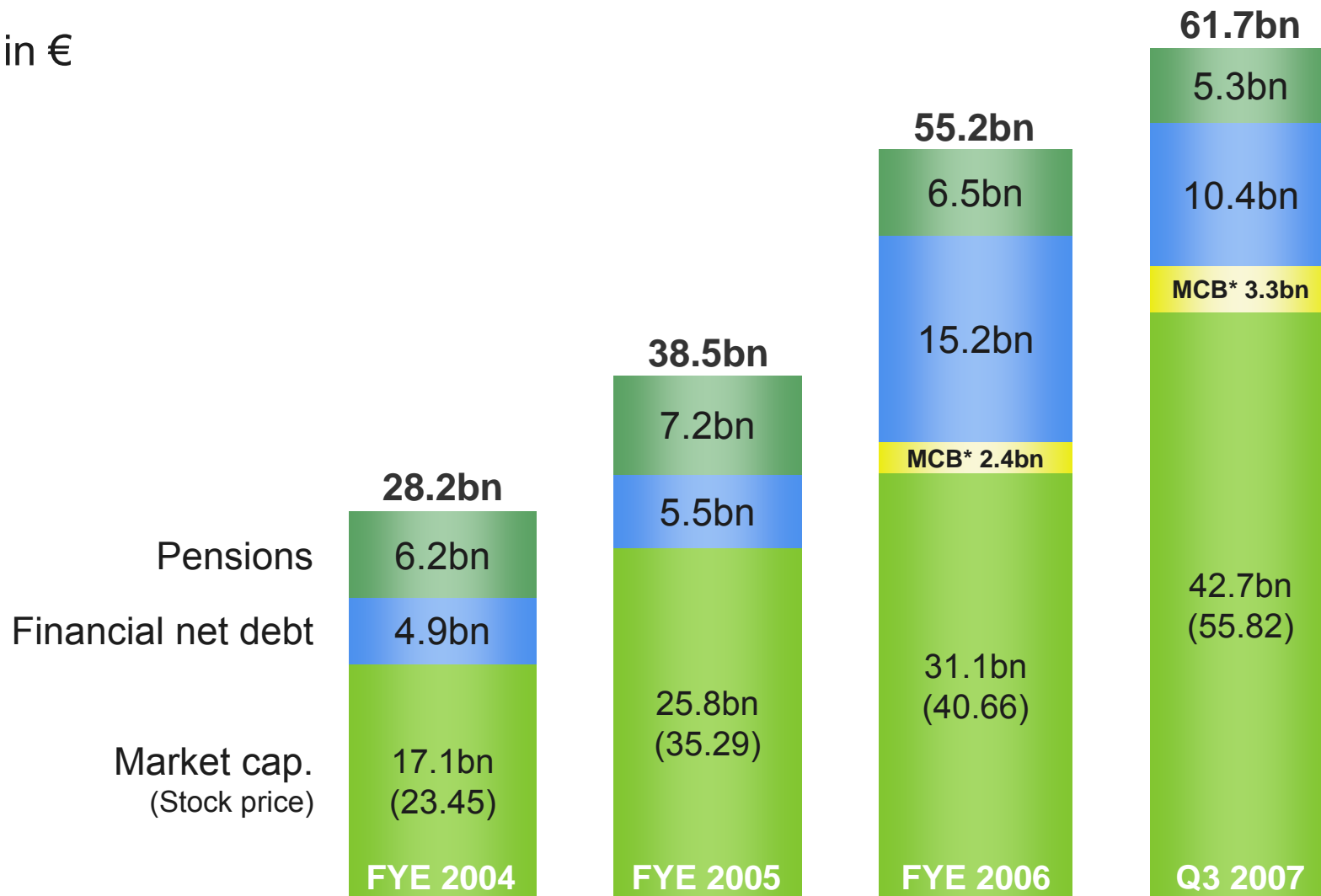


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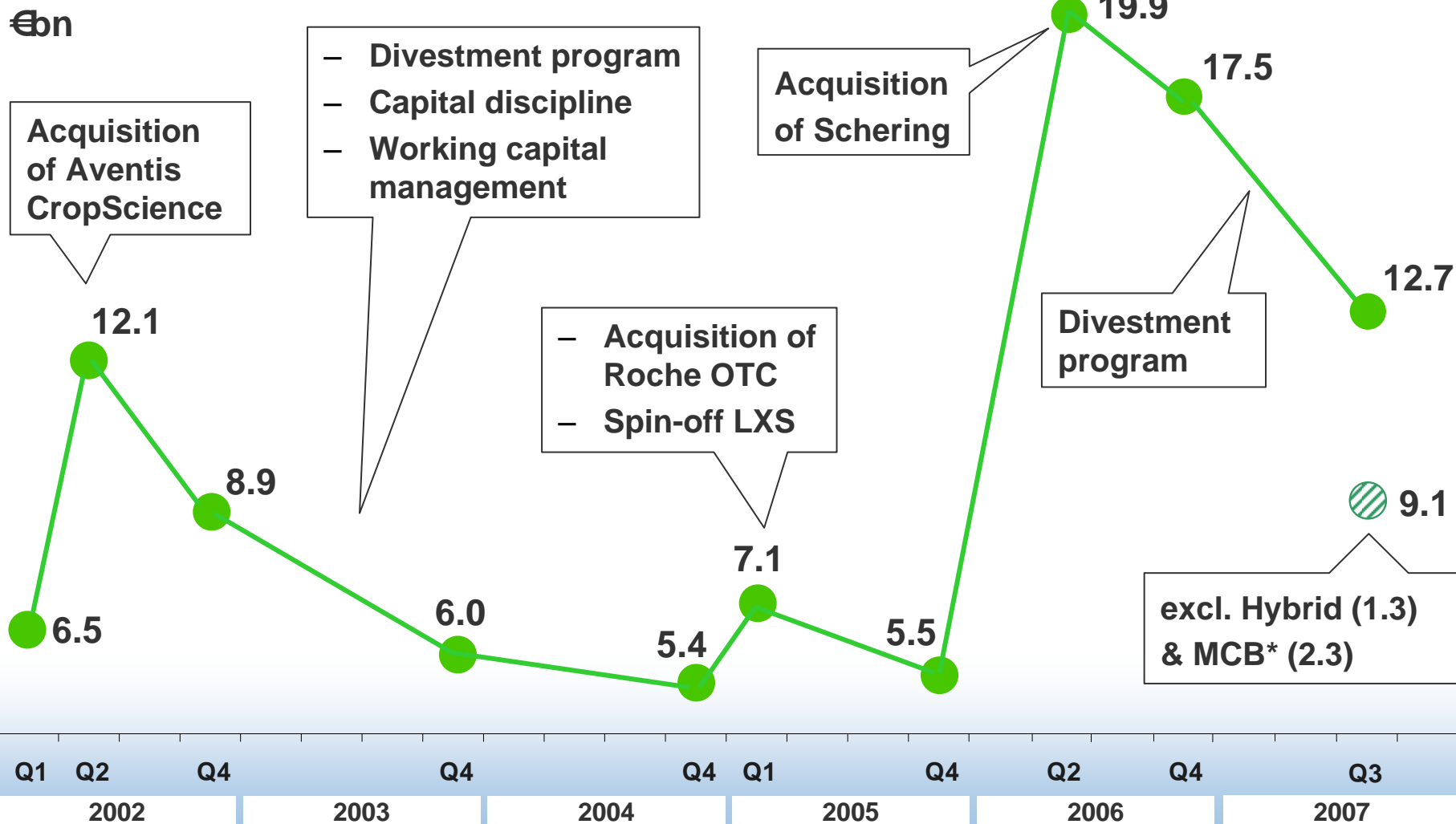
# Bayer Group's Capital Structure

in €





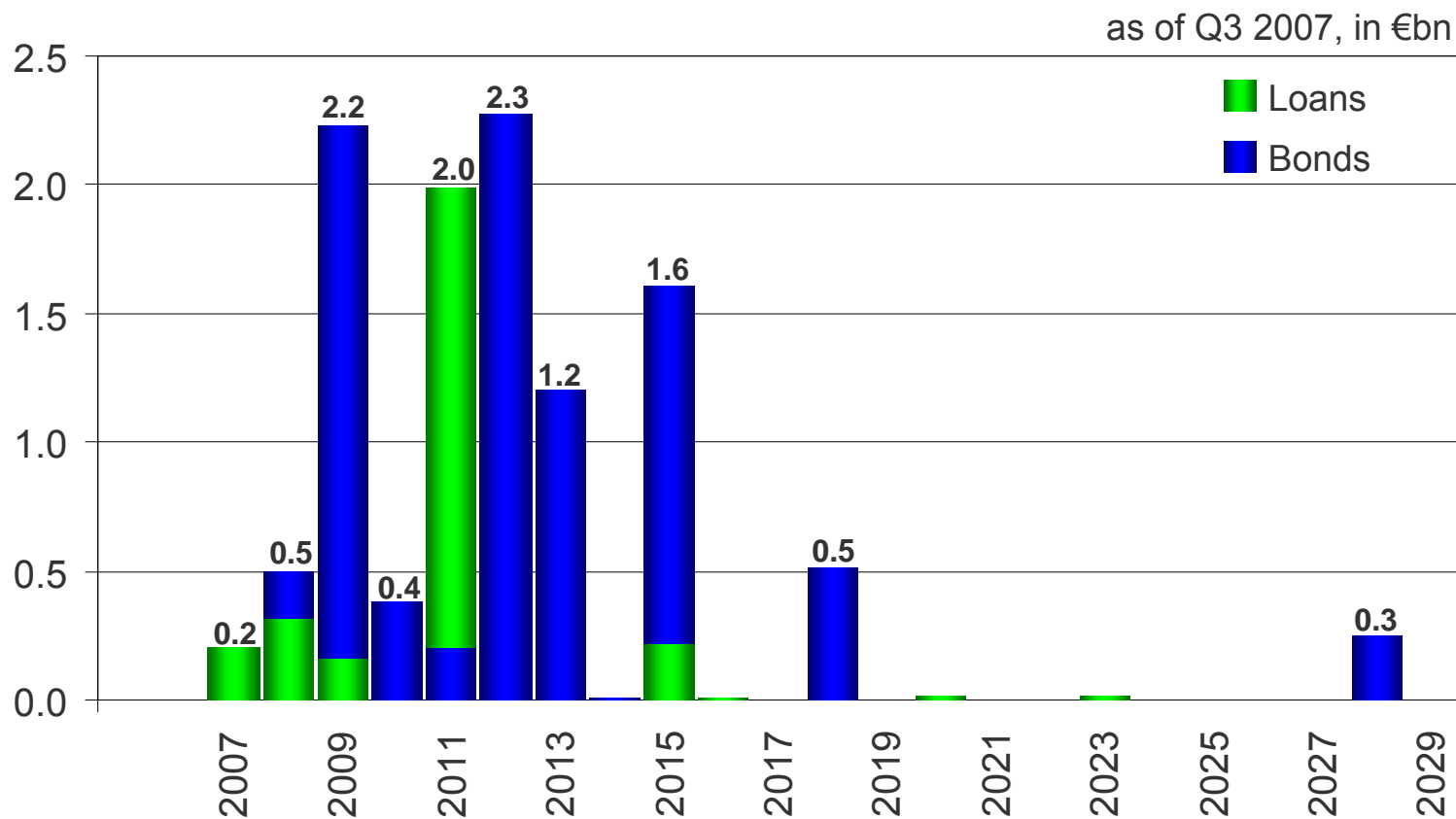
# Development of Net Debt





# Gross Financial Debt Maturity Profile

## Major Positions of bonds\* & loans



\*excl. Mandatory convertible bond

# Portfolio Management & Financing

## Strategic Direction



- Deliver growth and performance
- Drive the HealthCare focus, concentrating on Rx and OTC pharmaceuticals
- Stay in CropScience, continue to explore opportunities in seeds
- Stay in MaterialScience, organic growth as priority
- Develop new growth opportunities

## Timing



- Steady monitoring and active management. Acquisitions and disposals are therefore part of our regular business activities

## Financing Strategy



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



# Positive Outlook: 2007 to Set a New Record

## Group

- **Sales above €32bn**  
(approx. 6 percent growth,  
portfolio and currency adjusted)
- **Margin\* increase by at least  
one percentage point over last  
year's 19.3%**

## Subgroups

- **HealthCare** (raised)  
Growth in all divisions at or above market.  
Margin\* above 25%.
- **CropScience** (reiterated)  
Sales above previous year's 2nd half.  
Margin\* above 22%.
- **MaterialScience** (up-dated)  
Higher volumes and good, value-creating  
earnings level. Q4 underlying EBITDA  
below Q3 but above Q4'06.

\* Underlying EBITDA margin



# Mid-Term Financial Targets

Underlying EBITDA margin

**Bayer HealthCare**



around 28% in 2009

**Bayer CropScience**



approximately 25% in 2009

**Bayer MaterialScience**



>18% under favorable economic conditions



**Group exceed 22% in 2009**



- We are delivering growth and performance
- We confirm our successful strategy
- We are developing new growth opportunities
- We are optimistic about future developments



**Q&A Session**



# Calendar of Events

Date	Event	Publication
Tuesday, February 26, 2008		Dividend Proposal
Thursday February 28, 2008	Investor Conference Call	Full Year Results Annual Report
Thursday, April 24, 2008	Investor Conference Call	First Quarter Results Stockholders' Newsletter
Friday, April 28, 2008	Annual General Meeting	
Wednesday, July 30, 2008	Investor Conference Call	Second Quarter Results Stockholders' Newsletter
Wednesday, October 29, 2008	Investor Conference Call	Third Quarter Results Stockholders' Newsletter



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