



**Science For A Better Life**



**Investor Handout**

**Q3 2008**

# Important Information



This presentation may contain forward-looking statements based on current assumptions and forecasts made by Bayer Group or subgroup 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 Bayer's public reports which are available on the Bayer website at [www.bayer.com](http://www.bayer.com). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

## Bayer Has Clearly Defined Its Aspirations

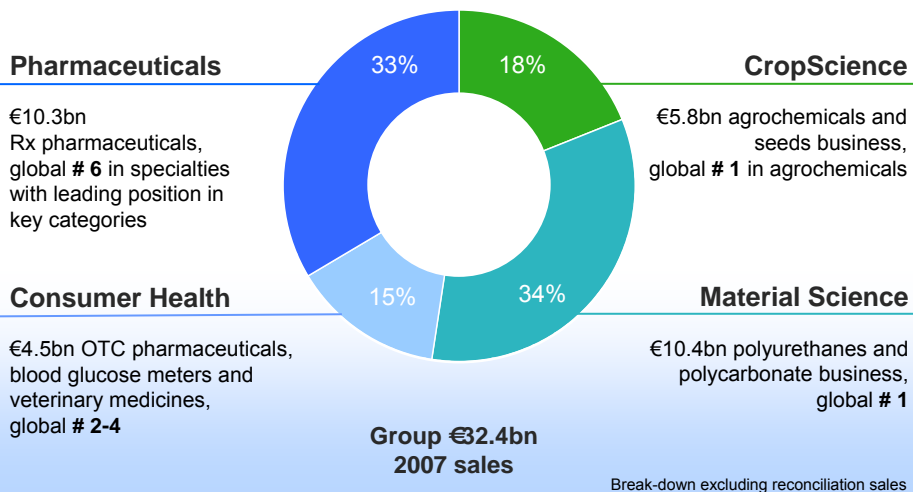


- Focus portfolio on growth and innovation driven businesses
- All businesses are growing at or above market and are capable of achieving benchmark performance
- Strengthen HealthCare and become one of the world's leading diversified HealthCare companies
- Develop new growth opportunities and safeguard the sustainability of the business
- Maintain / regain credit ratios which support a single A-rating
- Outlook 2008 reiterated: higher sales, underlying EBITDA and margin  
Outlook 2009 projects further growth and higher underlying EBITDA

**Bayer follows a clear strategy to deliver against these aspirations**

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## The New Bayer – A Leader in its Markets



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## Bayer's Transformation – A Period of Significant Progress



In €	2002	2007
Sales	29.6bn	32.4bn
EBIT*	828m	4,287m
EBITDA margin*	12%	21%
CFROI	8%	12%

- 5-fold higher underlying EBIT
- Margin up by 9 percentage points
- Attractive returns over cost of capital
- Achieved all group targets

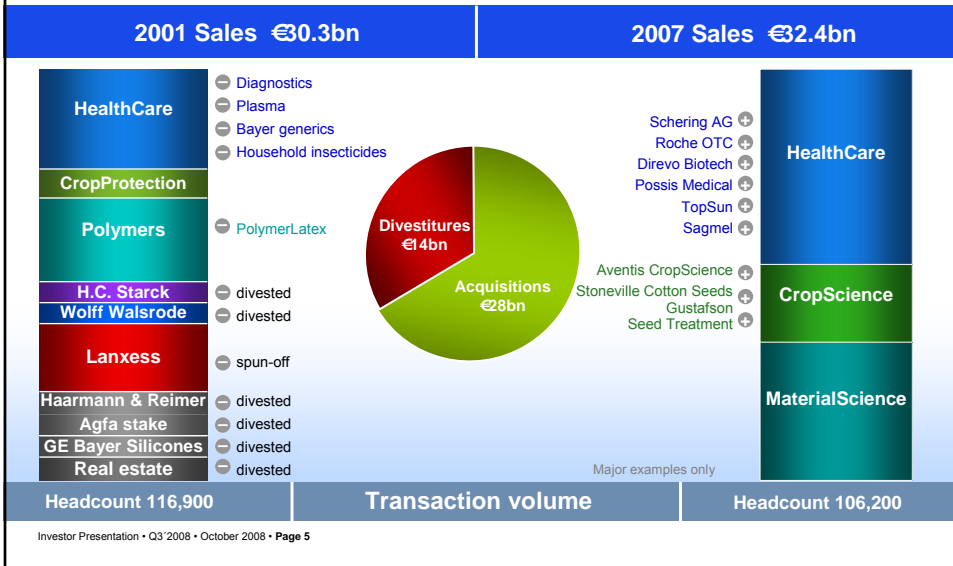


\*pre special items

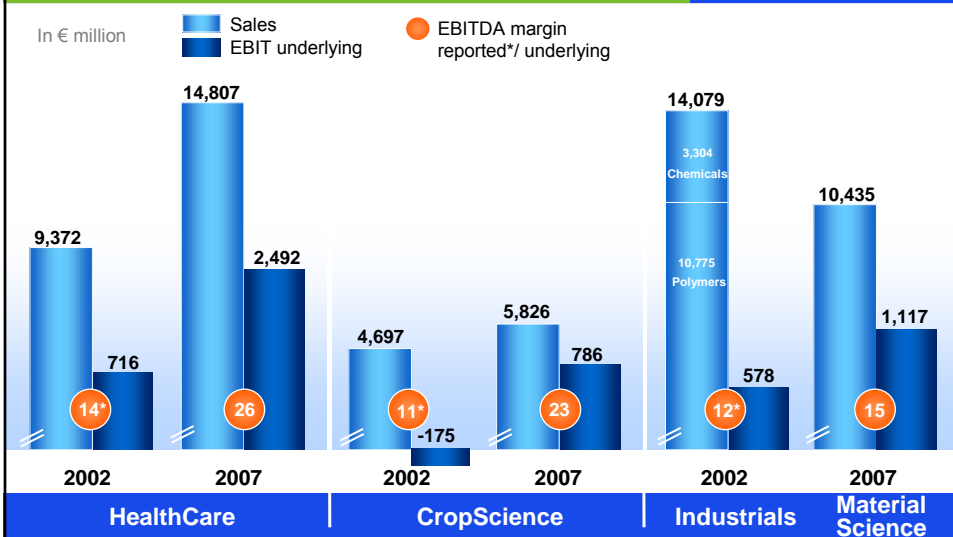
## Bayer is Well Positioned And Investing For Growth



# Six Years of Increasing Focus for Growth – Transaction Volume > €42bn since 2002



# Improved Portfolio and Higher Margins in All Businesses



## Bayer's Strategic Investment Focus Is on HealthCare



Focus	Rationale	Historic examples
Global Pharma / Consumer	Strengthen HealthCare	Schering Roche OTC
Product purchases / pipeline / technologies	Round-up portfolio	Citracal Amikacin Inhaled Recothrom VEGF Trap-Eye Maxygen Hematology Direvo Biotech
HealthCare adjacencies	Leverage expertise, capabilities and platforms into new business areas	Possis Medical
Emerging markets	Exploit above-average growth opportunities	Sagmel TopSun

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## Powerful Portfolio Management Aiming at Generating Value



### Execution

- Track record of managing large scale transactions successfully
- Integrated Aventis CropScience, Roche OTC and Schering Pharma without business disruptions
- Timelines and synergy targets have been met
- Demonstrated financial discipline

### Financing

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

### Probable Timing

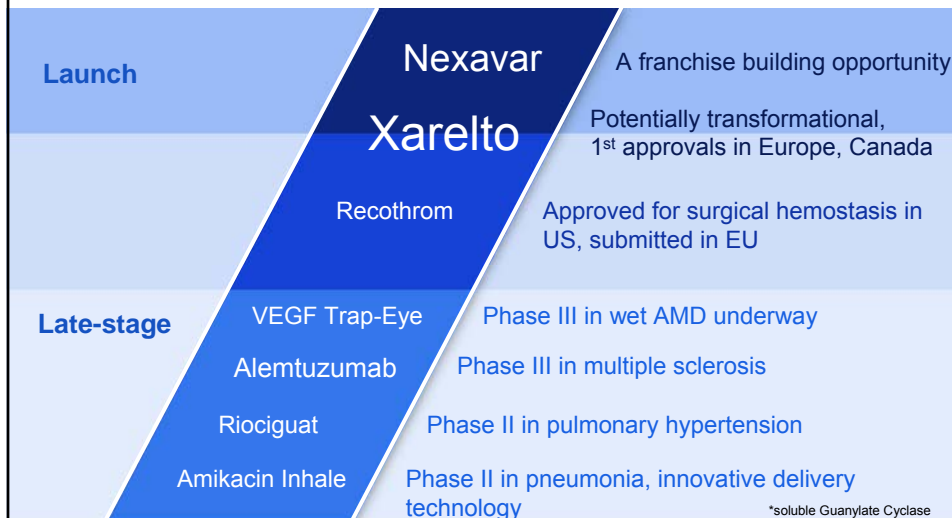
- Constant monitoring and active approach
- Due to the excellent positions we have built, however, we feel no pressure and can wait for the right opportunity to arise at the right price

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# Bayer is Well Positioned And Investing For Growth



# Pharma Pipeline Promises Accelerated Growth After 2009

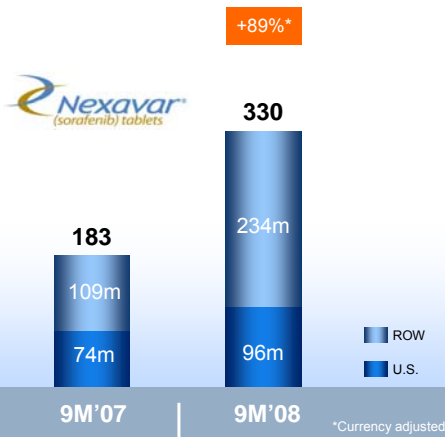


\*soluble Guanylate Cyclase

# Nexavar – A Franchise Building Opportunity



Sales in € million



- First targeted therapy in kidney cancer (RCC)
- Only approved drug with overall survival benefit in primary liver cancer (HCC)
- Fast track designation for HCC approval in Japan
- Peak sales potential: approx. €500m in approved indications (NA, EU, J)
- >200 clinical trials underway to explore the potential

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# Comprehensive Late-Stage Development Program for Xarelto in Place



Market	Study	Facts	Phase II	Phase III	Filing
Acute Indications	<b>RECORD</b>	>12,000 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>	Phase II: ~3,500 patients in addition to standard therapy	Secondary prevention ACS		2011/2012e

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# An Emerging New Class of Assets in the Field of Cardiovascular Diseases



Pioneering research in the field of soluble Guanylate Cyclase (sGC) targeting a broad range of cardiovascular diseases

sGC stimulator  
**RIOCIGUAT**  
 PH II in Pulmonary hypertension

sGC activator  
**CINACIGUAT**  
 PH II in acute heart failure

sGC stimulator  
**BAY 60-4552**  
 PH II in acute heart failure

- First phase II data for Riociguat presented at ERS in October 2008
- Riociguat expected to enter phase III clinical trials in Q4'2008

# Women's HealthCare Pipeline: Life Cycle Management at its Best



**Valette Plus**  
 OC

**YAZ Flex**  
 OC

**Qlaira**  
 (DUB-OC)  
 Dysfunctional uterine bleeding

**OC-DHEA**  
 OC

**Mirena**  
 Menorrhagia (US)

**YAZ**  
 Dysmenorrhea

**E2-DRSP**  
 OC

**LCS**  
 Contraception

**YAZ / Yasmin Plus**  
 OC

**Qlaira**  
 (DUB-OC)  
 OC (EU)

**FC-Patch**  
 Contraception

**Visanne**  
 Endometriosis

**Angeliq low-low**  
 (HRT)

**E2/LNG**  
 (HRT, Japan)



Valette, Meliane etc.



## Upcoming Pipeline Newsflow



<b>Xarelto</b>	ATLAS-results (phase II in ACS)	To be presented at AHA, Nov 10, 2008
<b>Xarelto</b>	Acute coronary syndrome	Phase III initiation end 2008
<b>Xarelto</b>	Pooled analysis of RECORD 1-4	To be presented at ASH December, 2008
<b>Nexavar</b>	Phase III results melanoma study (ECOG)	End of 2008/ early 2009
<b>Amikacin inhale</b>	Gram-neg. pneumonia in intubated patients	Phase III initiation 2H'08
<b>Riociguat (sGC Stimulator)</b>	Pulmonary hypertension	Phase III initiation 2H'08
<b>Sagopilone (ZK-EPO)</b>	Solid tumors	Transition decision Q4'08
<b>Cinaciguat (sGC Activator)</b>	Acute decompensated heart failure	Phase III initiation 2H'09

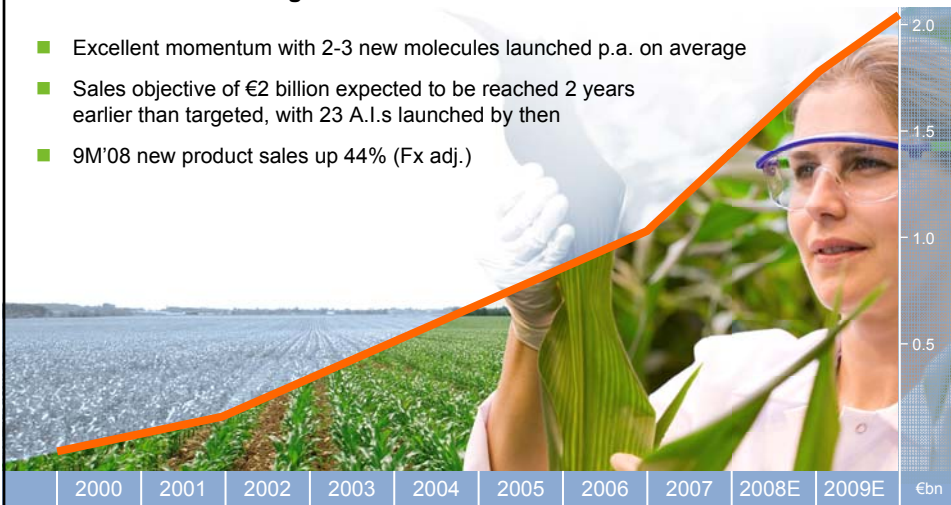
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## CropScience – Strong Track Record of Innovation



### Sales of new active ingredients launched since 2000

- Excellent momentum with 2-3 new molecules launched p.a. on average
- Sales objective of €2 billion expected to be reached 2 years earlier than targeted, with 23 A.I.s launched by then
- 9M'08 new product sales up 44% (Fx adj.)



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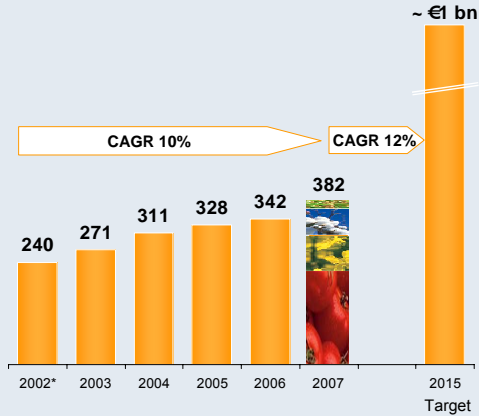
# We Intend to Grow BioScience Sales to About €1bn by 2015



## Accelerate Growth

## CAGR 2002\*-2007

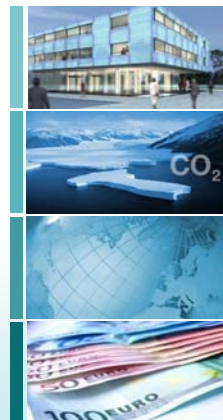
in € million



BioScience overall	10 %
Rice	42 %
Cotton	18 %
Canola	22 %
Vegetables	6 %

\* 2002 sales pro-forma combined sales of Bayer and Aventis CropScience

# Capitalize on Global Market Trends and Spur Future Growth



### Scarce resources

- Energy savings
- Lightweight construction

### Climate change

- Energy efficiency
- Fuel efficiency

### Mobility

- Lightweight transportation

### Growing wealth

- Increasing living standards
- Demand for entertainment

### MaterialScience contributions

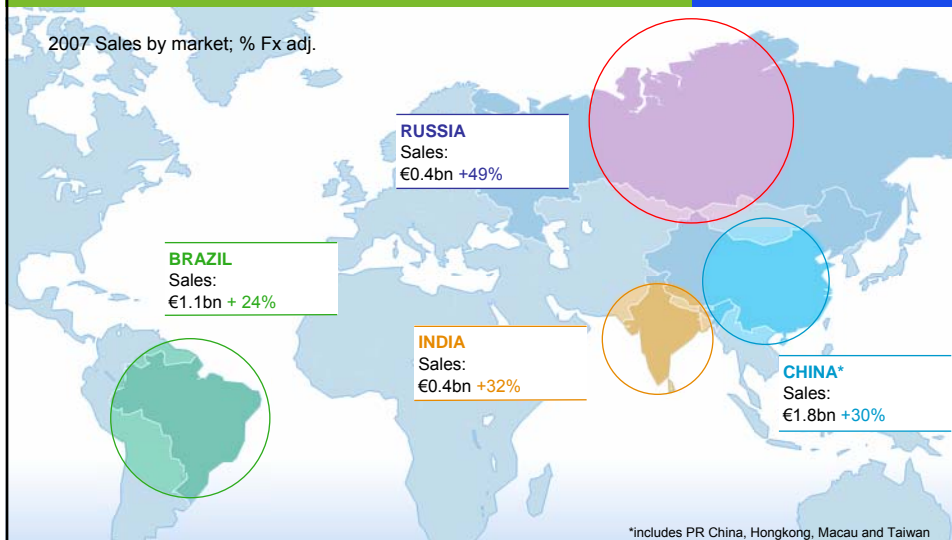
- Building insulation
- Insulation along the cold chain
- Lightweight roofing
- Materials for solar modules
- Lightweight materials for cars
- Waterborne Coatings
- Automotive glazing
- Foam mattresses
- Blends for electro/electronic housing
- PCS sheets in large-frame screens

Major product examples only

# Bayer is Well Positioned And Investing For Growth



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



## Within Only a Couple of Years China Has Become Our 3rd Biggest Market



All growth rates are Fx adj.

\*includes PR China, Hongkong, Macau and Taiwan

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### Business well positioned

- #1 international Healthcare company growing 45% in 2007
- Market leader in CropScience gaining share (+19% in 2007)
- MaterialScience is one of the majors, growing 31%

### Significant investment commitment

- Bayer's largest fully integrated polymer site
- TopSun – acquisition of domestic OTC business
- Infrastructure investments incl. marketing & sales to now >6,500 employees

## Construction of Bayer's Largest, Fully Integrated Polymer Site Under Way



Strengthen our regional competitiveness through local production in China



BMS sales include PR China, Hongkong, Macau and Taiwan

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PUR	PCS	CAS
<b>MDI</b> 80 kt in 2006 (crude MDI splitter)	<b>PCS</b> 40 kt in 2005 (PC compounding)	<b>HDI</b> 30 kt in 2006 +20 kt thereafter**
<b>350 kt in 2008*</b> +50 kt thereafter**	<b>PCS</b> 100 kt in 2006 <b>+100 kt in 2009*</b>	<b>Desmodur N</b> 17 kt in 2003/08 <b>25 kt in 2009*</b>
<b>TDI</b> <b>250 kt in 2010*</b> +50 kt thereafter**		<b>Desmodur L/IL</b> 25 kt in 2004/08 20 kt PUD in 2008

\*under construction  
\*\*planned

All numbers are name plate capacities  
Dates refer to availability on stream



■ Q3'08 – Bayer continues on a path of growth

Q3 2008 – Bayer Continues on a Path of Growth

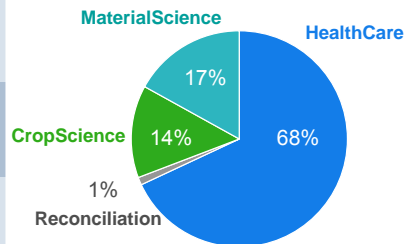


Key Figures

Underlying EBITDA by Subgroup

In € million, Δ% y-o-y

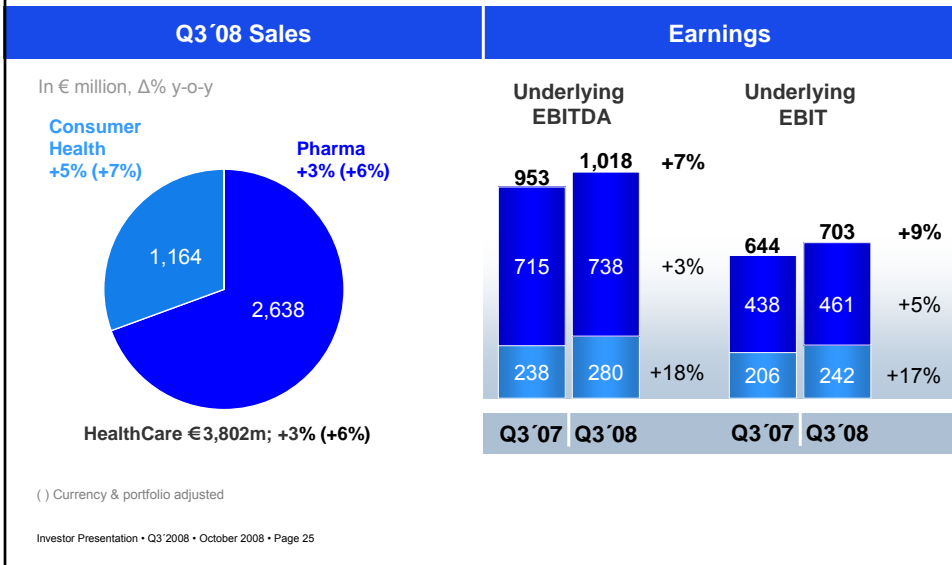
	Sales	EBITDA*	EBIT*	Core EPS
	7,948	1,493	891	€0.85
Δ%	+ 2%	- 4%	- 7%	+ 5%
Δ% Adj. **	+ 5%			



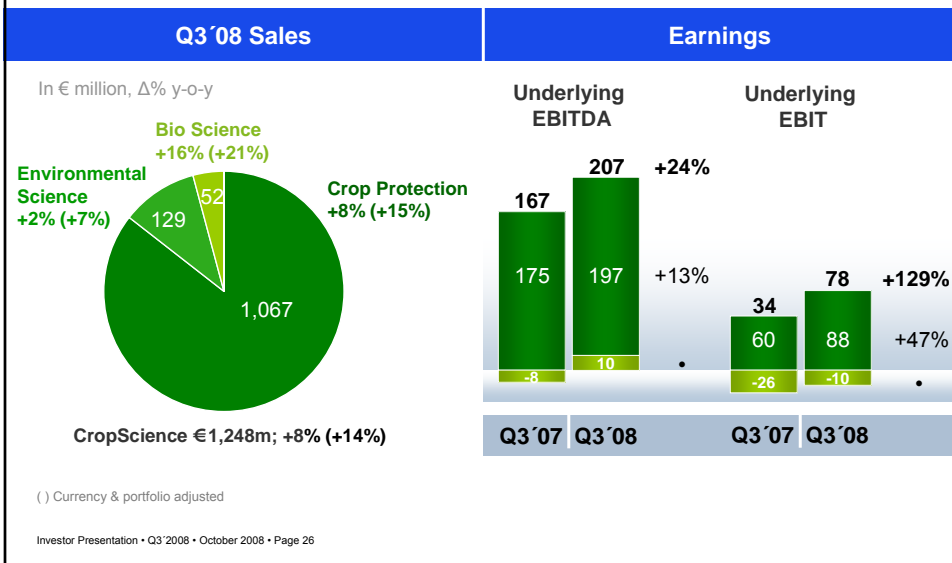
\* Before special items

\*\* Currency & portfolio adjusted

# HealthCare – Strongest Quarter in Terms of Sales Since Acquisition of Schering



# CropScience – On Track For Record Performance in 2008







## ■ Optimistic about future developments

## 2008 Outlook Reiterated, 2009 Outlook Projects Further Growth And Higher Underlying EBITDA



### 2008 sales and earnings expectations

- **Group**
  - Fx adj. sales increase > 5%
  - Increase in underlying EBITDA and margin\*
- **HealthCare**
  - Fx adj. growth in all divisions at or above market
  - Margin\* increase toward 27%
- **CropScience**
  - Fx adj. growth by well over 10%
  - Margin\* increase to approx. 25%
- **MaterialScience**
  - Higher volumes and good, value-creating earnings level, but well below 2007.
  - Q4'08 underlying EBITDA below Q3'08 level.

### ... and 2009

- **Group**
  - Further increase in underlying EBITDA
- **HealthCare**
  - Continued growth, underlying EBITDA margin of approx 28%
- **CropScience**
  - Continued growth, underlying EBITDA margin in the range of 25%
- **MaterialScience**
  - Further underlying EBITDA decline

## The New Bayer – Clear Strategy, Clear Targets, Focus is on Execution



- Active portfolio management: transaction volume >€42bn
- Strategic investment focus is on HealthCare: €20bn to grow the business to almost 50% of group sales
- Increased underlying EBIT from €828m in 2002 to €4.3bn in 2007
- Delivered on commitments and achieved financial targets
- Strong performance continued in 2009
- Intend to pay-out 30–40% of Core EPS as dividend
- 2008 outlook targets further growth and higher margins
- Outlook 2009 projects further growth and higher underlying EBITDA

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## Reporting Events and AGM



Date	Event	Publication
Tuesday, March 3, 2009	Investor Conference Call	2008 Annual Report
Wednesday, April 29, 2009	Investor Conference Call	First Quarter Results Stockholders' Newsletter
Tuesday, May 12, 2009	Annual General Meeting	
Wednesday, July 29, 2009	Investor Conference Call	Second Quarter Results Stockholders' Newsletter
Tuesday, October 27, 2009	Investor Conference Call	Third Quarter Results Stockholders' Newsletter

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