



Science For A Better Life



Investor Handout Q3'08

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. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Bayer's Transformation – A Period of Significant Progress



Consistent strong performance

- 5-fold higher underlying EBIT between 2002 and 2007
- All group targets achieved
- 9M'08 adj. sales up 7%, underlying EBIT up 4%

Clear strategy

- Strengthen HealthCare: >€20bn investment between 2002 and 2008 to grow the business to almost 50% of group turnover
- Developing new growth opportunities
- Exploit potential in emerging markets

Convincing Outlook

- 2008 outlook reiterated: higher sales, underlying EBITDA and margin
- 2009 outlook projects further growth and higher underlying EBITDA
- No refinancing need
- Design of contingency plans underway

Bayer Investor Presentation • December 2008 • Page 1

The New Bayer – A Leader in its Markets

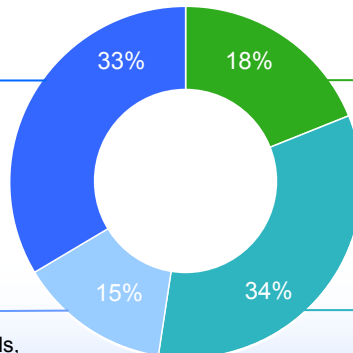


Pharmaceuticals

€10.3bn
Rx pharmaceuticals,
global # 6 in specialties
with leading position in
key categories

Consumer Health

€4.5bn OTC pharmaceuticals,
blood glucose meters and
veterinary medicines,
global # 2-4



CropScience

€5.8bn agrochemicals and
seeds business,
global # 1 in agrochemicals

Material Science

€10.4bn polyurethanes and
polycarbonate business,
global # 1

Group €32.4bn
2007 sales

Break-down excluding reconciliation sales

Bayer Investor Presentation • December 2008 • Page 2

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% |

*pre special items

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



9M 2008 – Bayer Continues on a Path of Growth

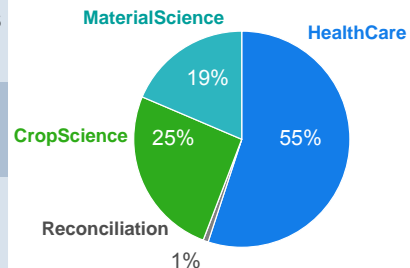


Key Figures

Underlying EBITDA by Subgroup

In € million, Δ% y-o-y

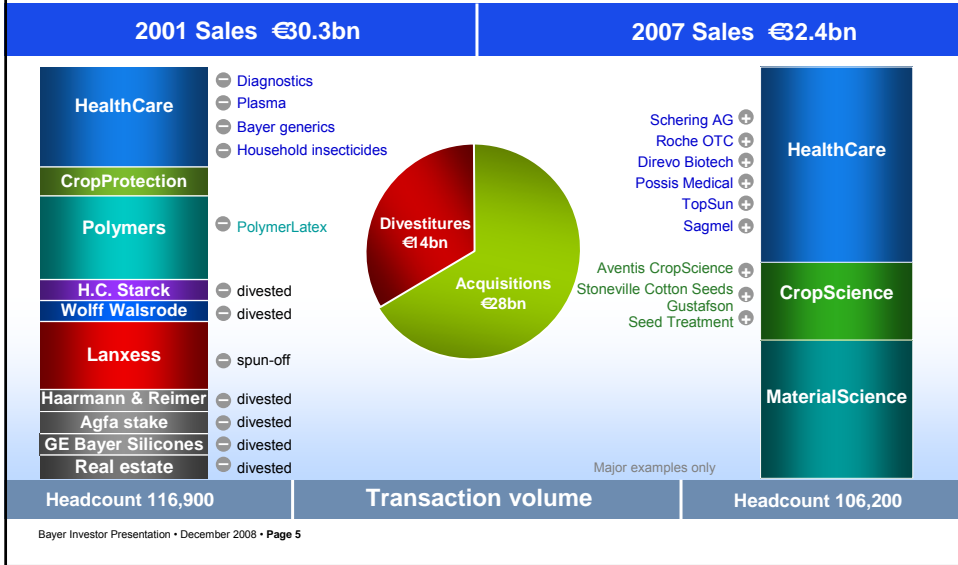
| | Sales | EBITDA* | EBIT* | Core EPS |
|------------|--------|---------|-------|----------|
| | 24,995 | 5,574 | 3,636 | €3.46 |
| Δ% | + 3% | + 4% | + 4% | + 12% |
| Δ% Adj. ** | + 7% | | | |



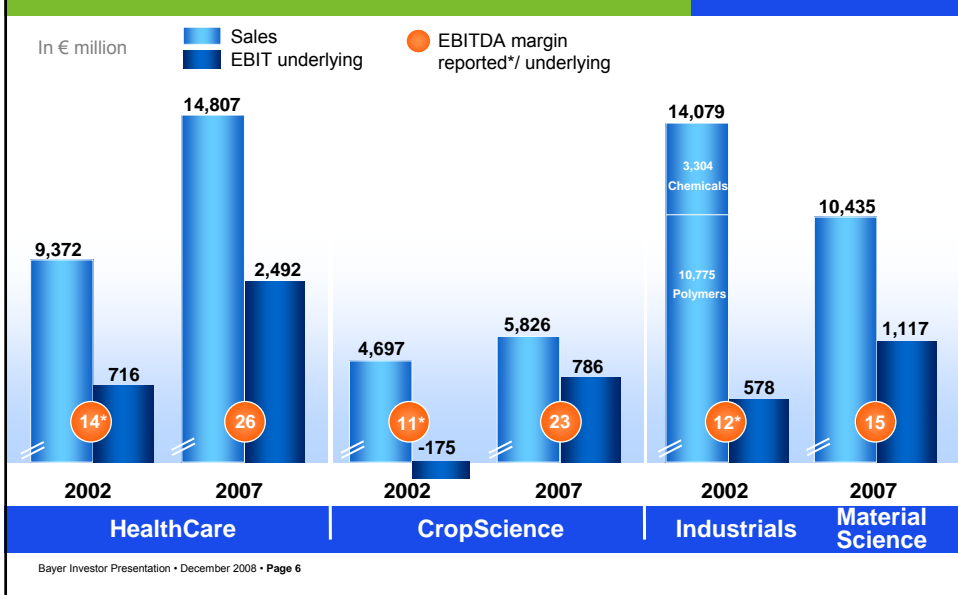
* Before special items

** Currency & portfolio adjusted

Six Years of Increasing Focus for Growth – Transaction Volume > €43bn 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 |

Bayer Investor Presentation • December 2008 • Page 7

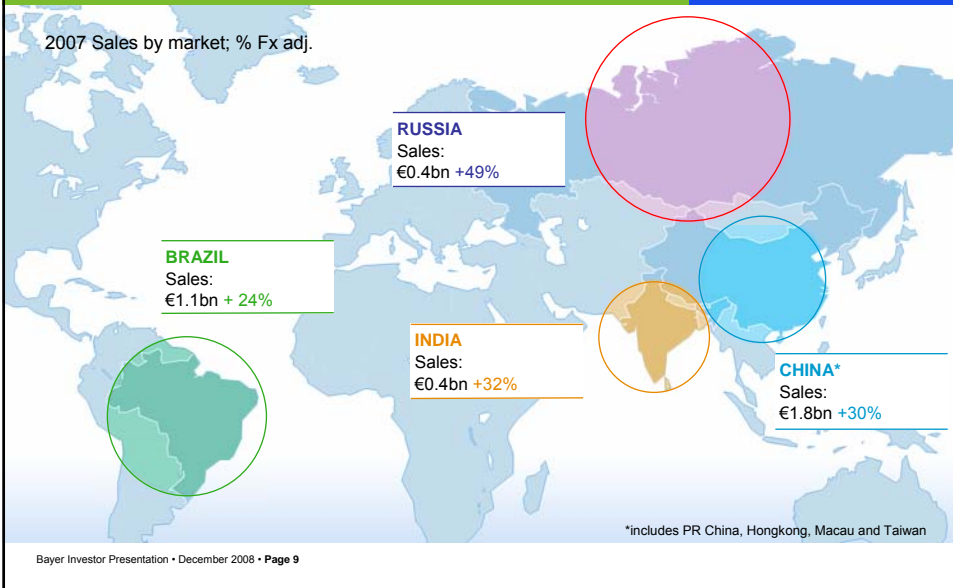
Powerful Portfolio Management Aiming at Generating Value



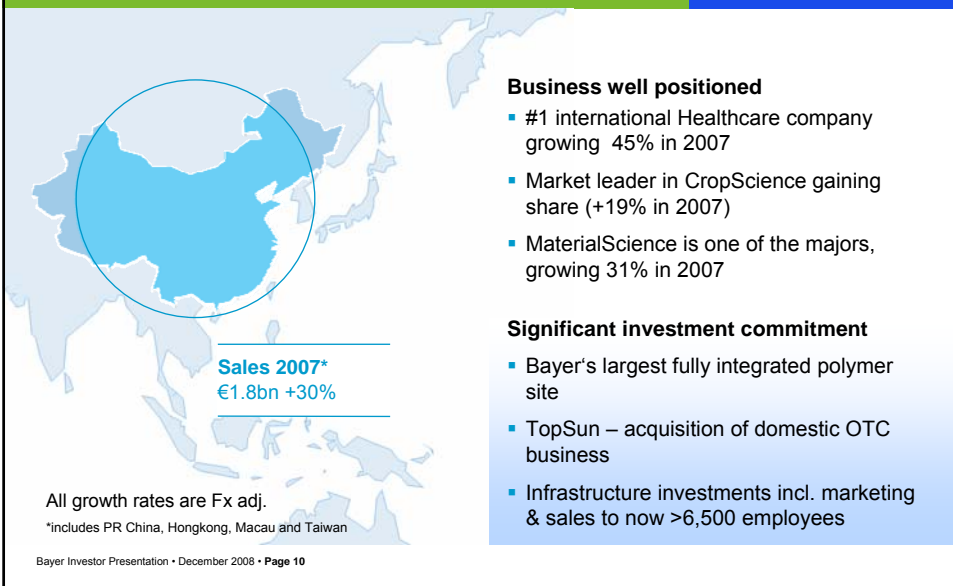
| | |
|------------------------|--|
| Execution | <ul style="list-style-type: none"> Track record of managing large scale transactions successfully Integrated Aventis CropScience, Roche OTC and Schering Pharma without business disruptions Timelines and synergy targets have been met Demonstrated financial discipline |
| Financing | <ul style="list-style-type: none"> Balanced mix of debt, equity and portfolio if needed Maintaining single A credit rating target |
| Probable Timing | <ul style="list-style-type: none"> Constant monitoring and active approach Due to the excellent positions we have built, we can wait for the right opportunity to arise at the right price |

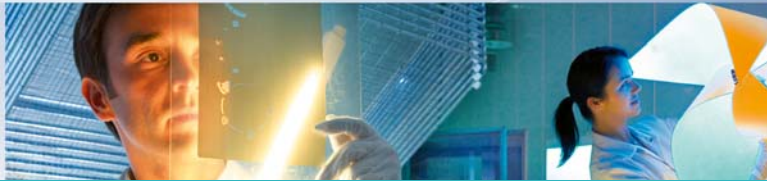
Bayer Investor Presentation • December 2008 • Page 8

BRIC Countries – Bayer is Well Positioned And Capturing Significant Growth



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





Bayer MaterialScience

- 2008: underlying EBITDA well below 2007
- 2009: underlying EBITDA below 2008

Bayer Investor Presentation • December 2008 • Page 11

A Growing Business, Focused on Polyurethanes and Polycarbonates



Polyurethanes

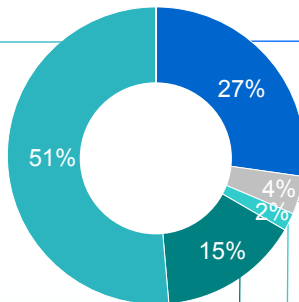
#1; approx. 25% market share

Applications: mainly rigid and soft foams in construction (insulation), furniture (mattresses) and automotive

Coatings, Adhesives, Specialties

#1; >40% market share (arom. and aliph. isocyanates)

Applications: automotive & transport, construction, furniture & wood



€10,435m

Bayer MaterialScience
FY 2007 sales

Polycarbonates

#1-2; approx. 30% market share

Main brand: Makrolon

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

Basic Chemicals

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

Thermoplastic Polyurethanes

#1; approx. 20% market share

Applications: automotive, sports/leisure, electro/electronics, mechanical engineering

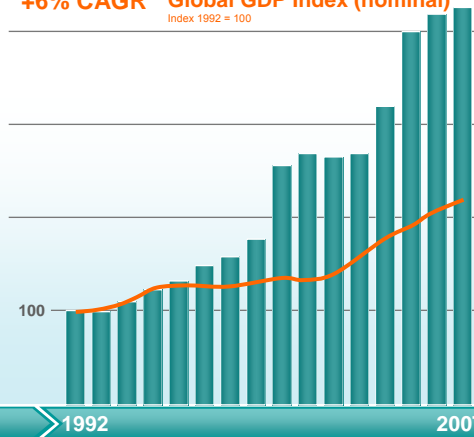
Bayer Investor Presentation • December 2008 • Page 12

Major Products Outpace GDP Growth Long-term



+10% CAGR Major products sales growth
Polyurethanes and Polycarbonates

+6% CAGR Global GDP Index (nominal)
Index 1992 = 100



Major Global Market Trends

Scarce resources

- Energy savings
- Lightweight construction

Climate change

- Energy efficiency
- Fuel efficiency

Desire for mobility

- Lightweight transportation

Growing wealth

- Increasing living standards
- Demand for entertainment

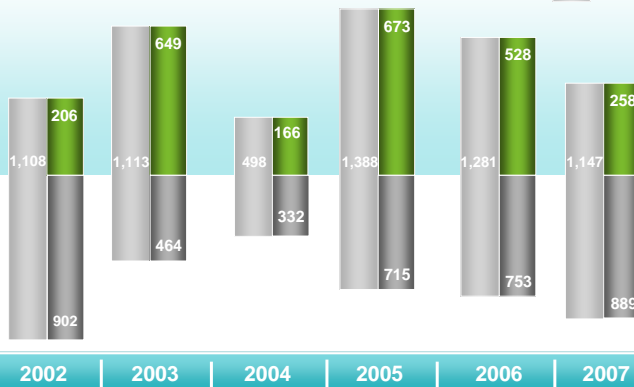
Future growth drivers

Cash Generation in Excess of Own Investment Needs



In € million

Free Operating Cash Flow
CapEx
Net Cash Flow



€2.5bn FOCF in 2002-2007

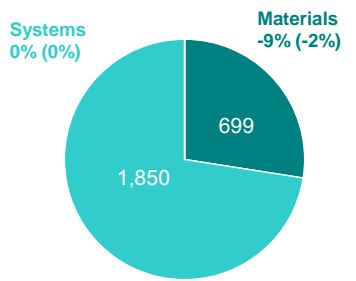
2002 and 2003 as reported in 2004
Excluding acquisitions or divestments

Q3'08 – Financial Highlights



Q3'08 Sales

In € million, Δ% y-o-y



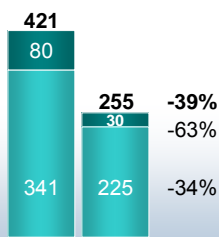
MaterialScience €2,549m; -3% (-0.5%)

() Currency & portfolio adjusted

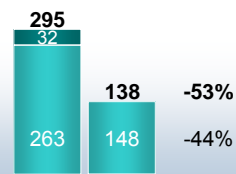
Bayer Investor Presentation • December 2008 • Page 15

Earnings

Underlying EBITDA



Underlying EBIT



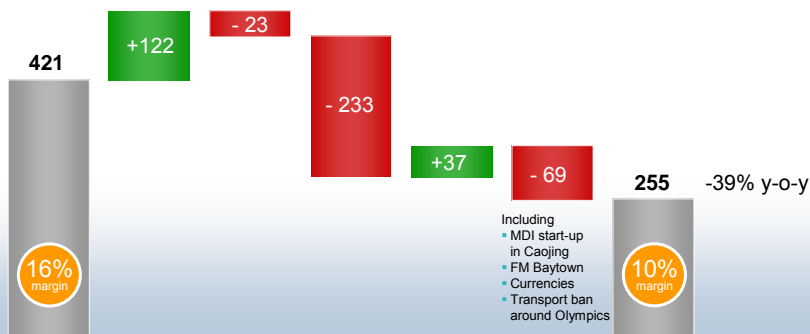
Q3'07 | Q3'08

Q3'07 | Q3'08

Q3'08 – Earnings Burdened by Higher Raw Material Costs and Several One-time Effects



Underlying EBITDA in € million



Actual

Price

Volume

Raw material/energy costs

Savings

Other

Actual

Q3'07

Q3'08

Bayer Investor Presentation • December 2008 • Page 16

Exposure to Key Customer Industries – Auto and Construction Currently Hit Worst



Bayer Investor Presentation • December 2008 • Page 17

Bayer estimates
CAGR: Global industry growth 2008-2010e
2007 Bayer MaterialScience sales by industry

Weaker Demand Expected in Major Markets



| | PCS | MDI | TDI |
|--|--------|--------|--------|
| Bayer market share 2007 | 30% | 25% | 24% |
| Bayer market position 2007 | #1 | #1 | #1 |
| Expected average long-term demand growth p.a. | 5-7% | ~6% | ~4% |
| Estimated demand growth in 1H'08 | 4-5% | ~9% | ~4% |
| Expected demand in 2009 | Weaker | Weaker | Weaker |
| Expected capacity utilization in 2009 | Lower | Lower | Lower |

All estimates are Bayer estimates as of Q3'08 and refer to global volumes.
Expected 2009 utilization refers to global capacity utilization. Growth rates are y-o-y.

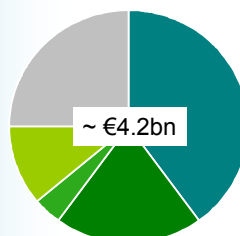
Bayer Investor Presentation • December 2008 • Page 18

Raw Material and Energy Costs



- Additional raw material and energy costs are expected to negatively impacted EBIT by approx. €550m in FY
- Petrochemical feedstock prices seem to have peaked this summer
- First potential relief from petrochemical raw material costs expected to be seen sequentially in Q4'08 vs. Q3'08

Cost split 2007



Exposure by value in % of total basket

- Benzene (incl. phenol, aniline, styrene)
- Propylene oxide
- Toluene
- Other petrochemical feedstock
- Others

MaterialScience – Outlook



2008

- Q4 underlying EBITDA below Q3'08 level
- Sustain a good, value-creating earnings level for the full year 2008, though well below the 2007 figure

2009

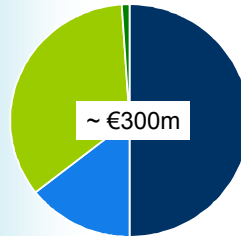
- Underlying EBITDA below the 2008 level
- Weaker demand
- Lower raw material/energy costs

Savings Programs Reduce Costs and Realign Organization



- Process and cost optimization in the operation and maintenance of production facilities worldwide
- Clear differentiation of 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
- Phasing of realized savings and related costs splits roughly equally between 2008 and 2009
- Related special charges expected below €150m

Savings by functions in 2009



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

Responding to Changed Business Environment



- Accelerate restructuring program and realization of savings
- Hiring freeze, restricted traveling and other short-term cost containment measures in place
- Design of contingency plans, including temporary plant shut-downs, under way
- Capital expenditures to be reduced



Bayer CropScience

- 2008: ~25% underlying EBITDA margin
- 2009: ~25% underlying EBITDA margin

Growth Drivers of Global Agriculture



Growing world population

- Increasing food & energy demand
- Decreasing farmland per capita

Need for alternative energy feedstocks

- Increasing demand for renewable energy and biofuel

Growing wealth

- Increasing meat consumption and need for feed
- Decreasing stocks to use

Climate change

- Yield losses through adverse weather conditions
- Need to reduce greenhouse gas emissions, such as CO₂

Growing World Population, Limited Arable Land



| Year | World population (billion) | Arable land & permanent crops (billion hectares) | Farmland per capita (hectares) |
|------|----------------------------|--|--------------------------------|
| 1950 | 2.5 | 1.3 | 0.52 |
| 1975 | 4.1 | 1.4 | 0.34 |
| 2000 | 6.1 | 1.5 | 0.25 |
| 2025 | 8.0 | 1.5 | 0.19 |
| 2050 | 9.2 | 1.5 | 0.16 |

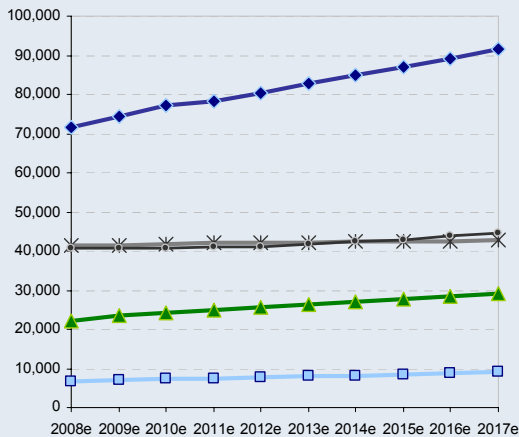
Source: United Nations
Bayer Investor Presentation • December 2008 • Page 25

Growing Feed Demand



Increasing meat production in Asia and Latin America expected

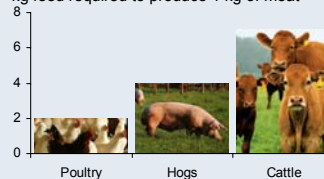
kt meat production (beef, veal, pork, poultry)



| | Δ 2008e / 2017e |
|-------------------|-----------------|
| China | +28% |
| European Union-27 | + 3% |
| United States | + 10% |
| Brazil | + 30% |
| India | + 37% |

More meat means more grains

kg feed required to produce 1 kg of meat



Source: OECD-FAO Agricultural Outlook 2008-2017, USDA, own calculations
Bayer Investor Presentation • December 2008 • Page 26

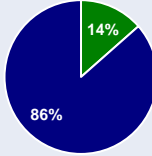
Increasing Demand for Biofuels



Biofuels production dominated by bioethanol

Total Production 2008e

- Bioethanol**
- Sugarcane
 - Corn
 - Wheat
 - Other

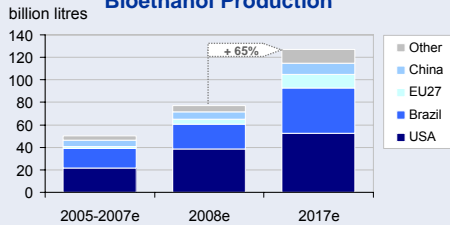


- Biodiesel**
- Oilseed Rape
 - Soybeans
 - Oil Palm
 - Other

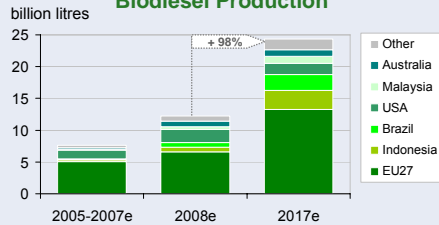


Biofuels Projections

Bioethanol Production



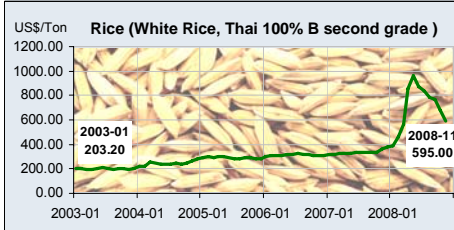
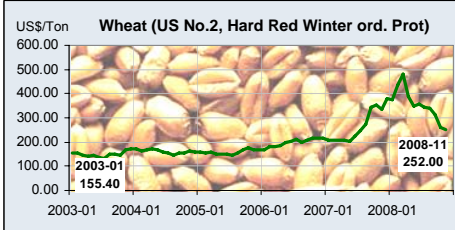
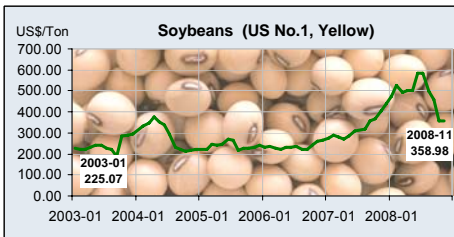
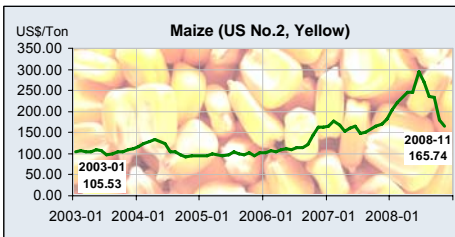
Biodiesel Production



Based on OECD-FAO Agricultural Outlook 2008-2017

Bayer Investor Presentation • December 2008 • Page 27

Grain Commodity Prices Still on Attractive Levels



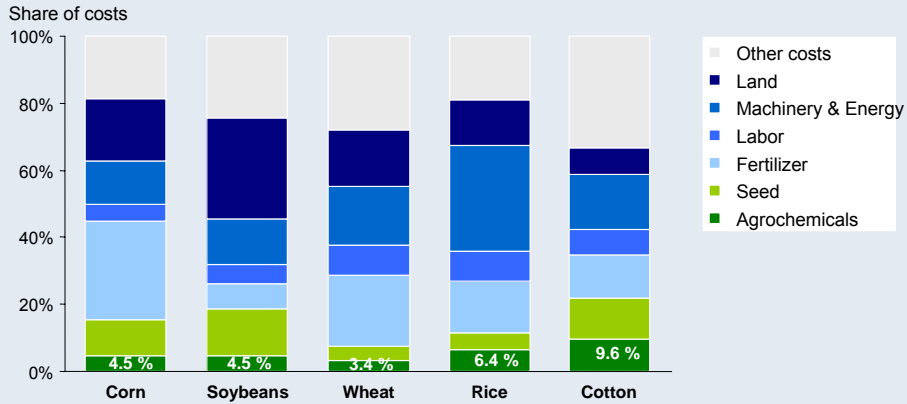
Source: FAO International Commodity Prices, monthly averages as of 2008-11-18

Bayer Investor Presentation • December 2008 • Page 28

Share of Agrochemicals in Farming Costs <10%



2008 Cost-of-production forecasts for U.S. major field crops



Based on USDA data; forecasts are as of June 2008
 Costs are based on estimates from 2006 and are projected by reflecting changes in farm input price indexes from 2006 to 2007, 2008 and 2009

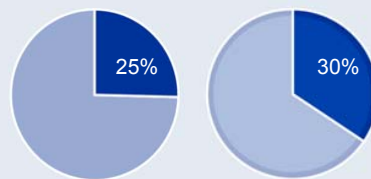
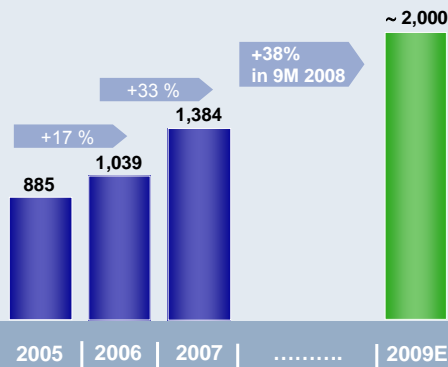
€bn New Product Sales Target Now Set for 2009 – Two Years Earlier than Planned



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

Share of new A.I.s in agchem sales

In € million

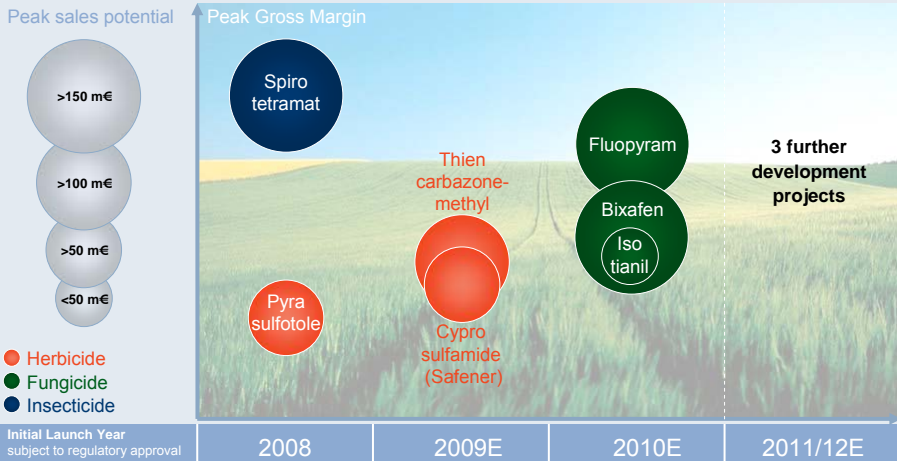


Agchem sales: include Crop Protection and Environmental Science, exclude BioScience business
 * Crop Protection only: 28.5 % in FY07

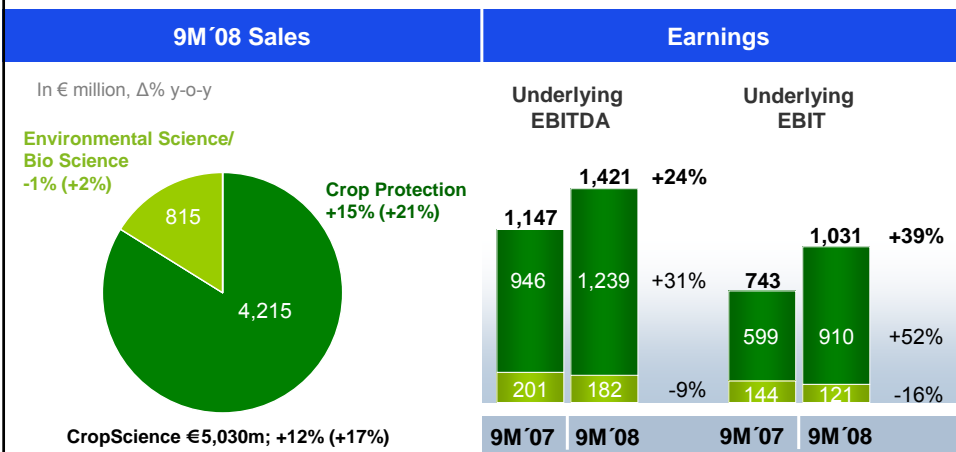
We Plan to Launch 10 New Active Ingredients until 2012



Combined peak sales potential of more than €1bn



CropScience – On Track For Record Performance in 2008



() Currency & portfolio adjusted

Confident Outlook for 2009



Environment

- Long-term fundamental drivers for ag industry remain intact
- Commodity prices declined recently, but are still on attractive levels for farmers
- Stocks of agricultural commodities estimated to remain rather low
- Farm income positively impacted by declining cost for energy and fertilizers
- Currently low inventories of crop protection products in distribution channels

Outlook 2009

- Above market growth
- Increase prices
- Achieve underlying EBITDA margin of ~ 25 %

Bayer Investor Presentation • December 2008 • Page 33



Bayer HealthCare

- 2008: Towards 27% underlying EBITDA margin
- 2009: ~28% underlying EBITDA margin

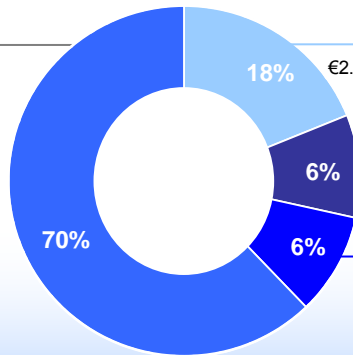
Bayer Investor Presentation • December 2008 • Page 34

Bayer HealthCare: A Diversified HealthCare Company



Pharmaceuticals

€10.3bn Rx specialty pharmaceuticals, # 6 with leading positions in key therapeutic categories



Consumer Care

€2.6bn OTC pharmaceuticals; # 2 with some of the world's most recognized brands

Diabetes Care

€950m blood glucose meters # 3 with new and improved products

Animal Health

€956m veterinary medicines # 4 with industry leading growth and profitability

Key figures 2007

Sales: €14.8bn

EBITDA underlying: €3,792m (margin 25.6%)

Employees: ~51,500

The Power of Diversity



Portfolio diversity

- Consumer Health Businesses balances volatility of Pharma business and also offers predictable cash flow and excellent CFRoI



Product diversity

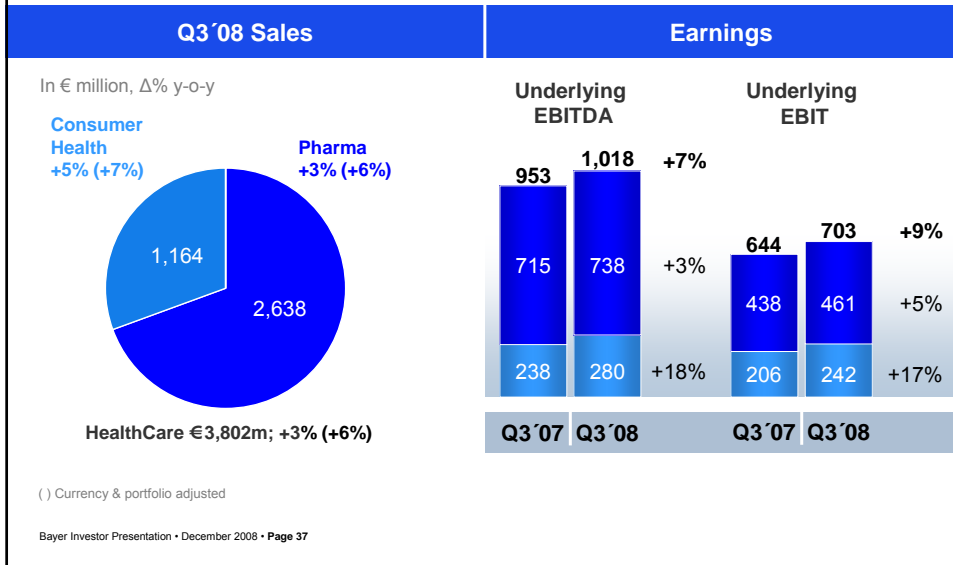
- Increasing percentage of business from biologicals offering higher margins and longer life cycles
- No over-reliance on a single product with largest product accounting only for 7 % of revenues



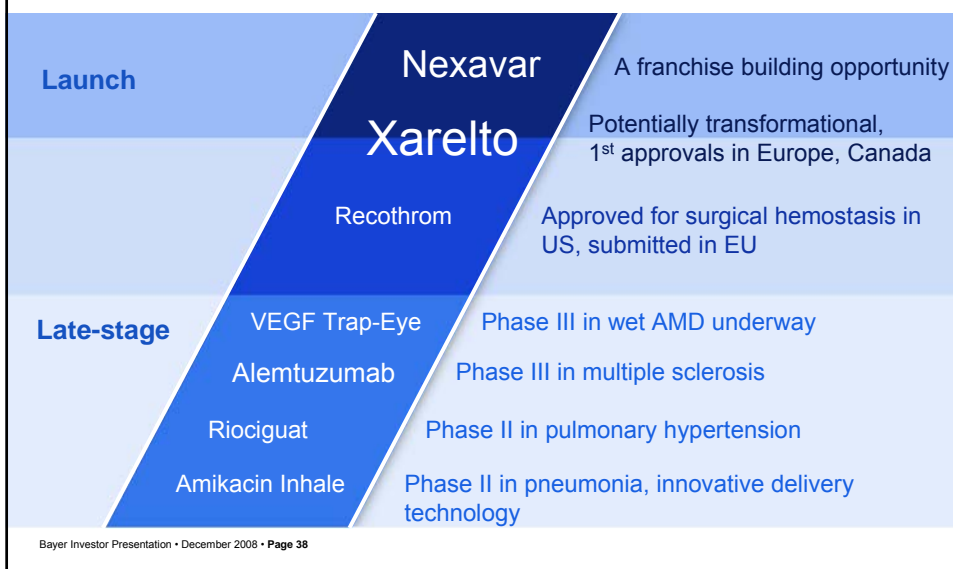
Geographical diversity

- Overweight in emerging markets which are estimated to triple in their contribution to global healthcare market growth in the next 5 years

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



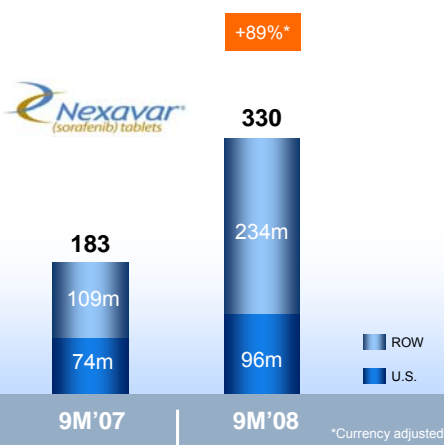
Pharma Pipeline Promises Accelerated Growth After 2009



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

Comprehensive Late-Stage Development Program for Xarelto in Place



| Market | Study | Facts | Phase II | Phase III | Filing |
|---------------------|------------------|--|--|-----------|------------|
| Acute Indications | RECORD | >12,000 patients vs. standard therapy (enoxaparin) | VTE prevention after orthopedic surgery | | ✓ |
| | MAGELLON | ~8,000 patients vs. standard therapy (enoxaparin) | VTE prevention in medically ill patients | | 2011e |
| Chronic Indications | ENSTEIN | ~7,500 patients vs. standard therapy (enoxaparin & warfarin) | VTE treatment and secondary prevention | | 2010e |
| | ROCKET AF | ~14,000 patients non-inferiority vs. standard therapy (warfarin) | Stroke prevention in atrial fibrillation | | 2010e |
| | ATLAS | Up to 16,000 patients in addition to standard therapy | Secondary prevention ACS | | 2011/2012e |

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.



Pipeline Newsflow



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

Bayer Investor Presentation • December 2008 • Page 43

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



- Active portfolio management: transaction volume >€43bn
- 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 2008
- Intend to pay-out 30–40% of Core EPS as dividend
- 2008 outlook targets further growth and higher underlying EBITDA
- Outlook 2009 projects further growth and higher underlying EBITDA

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 |

Bayer Investor Presentation • December 2008 • Page 45

Investor Relations Contacts



Dr. Alexander Rosar

Head of Investor Relations

Phone: +49-214-30-81013

E-mail: alexander.rosar@bayer-ag.de

Dr. Jürgen Beunink

Phone: +49-214-30-65742

E-mail: juergen.beunink@bayer-ag.de

Peter Dahlhoff

Phone: +49-214-30-33022

E-mail: peter.dahlhoff@bayer-ag.de

Ilia Kürten

Phone: +49-214-30-35426

E-mail: ilia.kuerten@bayer-ag.de

Ute Menke

Phone: +49-214-30-33021

E-mail: ute.menke@bayer-ag.de

Judith Nestmann

Phone: +49-214-30-66836

E-mail: judith.nestmann@bayer-ag.de

Dr. Olaf Weber

Phone: +49-214-30-33567

E-mail: olaf.weber@bayer-ag.de

Bayer Investor Presentation • December 2008 • Page 46