



Science For A Better Life

Cheuvreux  
German Corporate Conference

## Building a world-class innovation company

Werner Baumann  
CFO

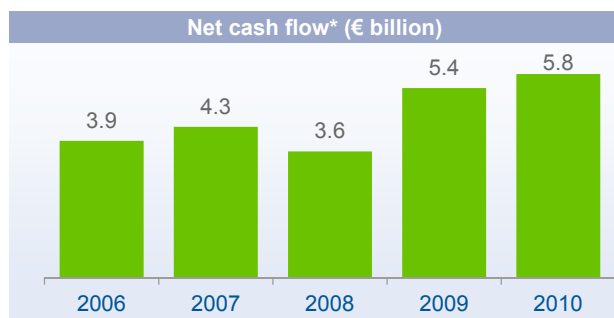
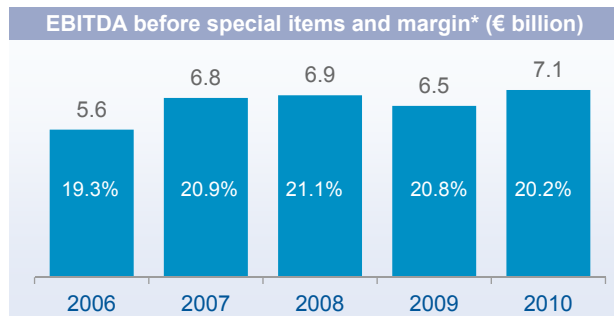
2012, January 18, Frankfurt

# Disclaimer

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.



# Track Record of Performance



\* 2006 - 2008 from continuing operations \*\* year-end data



# Strong Performance Continued in 2011

**Sales**  
in € million  
% portfolio & currency adj.



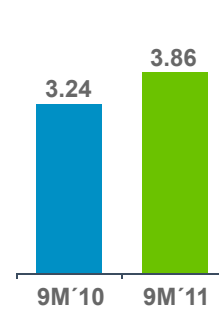
**+7%**

**EBITDA**  
pre-special items  
in € million



**+12%**

**Core EPS**  
in €



**+19%**

**Net Cash flow**  
in € million


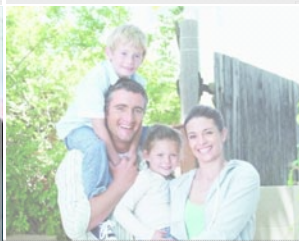




**+2%**

# At The Verge of a Business-Transforming New Product Cycle in Pharma



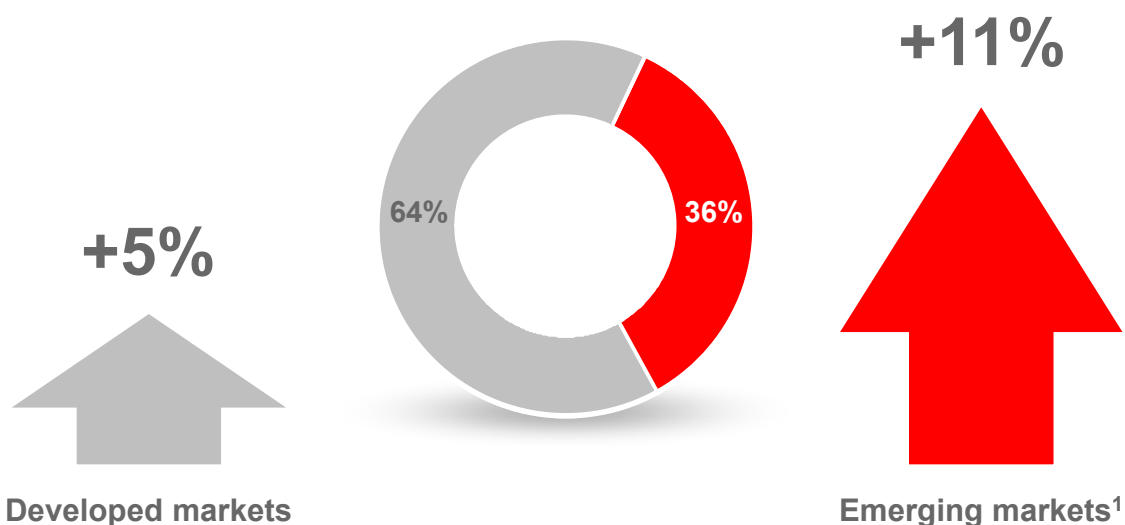
2011 Pharma Pipeline Progress

<b>Xarelto</b>	<b>Eylea</b> (VEGF Trap-Eye)	<b>Alpharadin</b>	<b>Regorafenib</b>
Launched in US & EU ACS trial showed significant reduction in mortality	Filed in EU and Japan for wet AMD	Demonstrated improvement in overall survival in patients with bone metastases in prostate cancer	Study met primary endpoint of improving overall survival in patients with metastatic colorectal cancer
 <b>&gt;€2bn*</b>	 <b>≥€1bn*</b>	 <b>≥€1bn*</b>	 <b>≥€1bn*</b>
<b>4 potential blockbuster compounds to be launched near-term</b>			

# Strong Growth Momentum in the Emerging Markets



9M2011 Group sales breakdown; Δ% yoy Fx adjusted



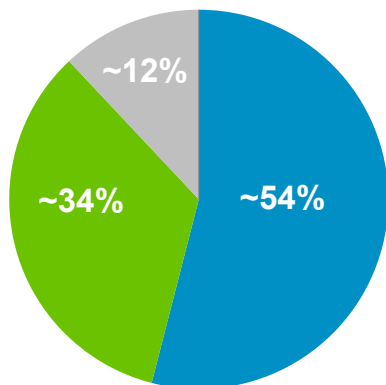
<sup>1</sup> Emerging markets: Latin America; Asia/Pacific w/o Japan, Australia, New Zealand; Africa and Middle East incl. Turkey; Eastern Europe

# More Innovation – Less Administration – Restructuring Program Fully on Target



## Contribution by Subgroup

Holding & Admin.      HealthCare



CropScience

## Savings Initiative

- Savings and efficiency initiative at HealthCare, CropScience and at corporate level
- Annual cost savings of €800m starting 2013, reinvestment of ~50%
- One-time-charges of approx. €1bn
- Plans include reductions of 4,500 people
- 2,500 new hires in growth and innovation, particularly in emerging markets
- ▶ Status Q3: Measures with €320 million annualized savings already implemented



## Building Growth Momentum in HealthCare

# HealthCare – Leading Positions in Key Markets



2010 sales in € million

**Pharma**  
€10,908m

- Leading positions in key therapeutic categories

**Consumer Care**  
€3,371m

- Global #2 in OTC-pharmaceuticals

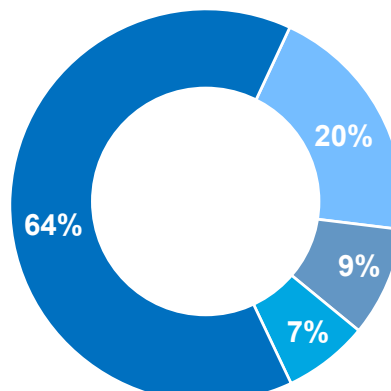
**Medical Care**  
€1,514m

- #1 in fluid injection systems, #4 in blood glucose meters

**Animal Health**  
€1,120m

- Global #4

## Sales Split by Segment 2010



**HealthCare €16,913m**

# HealthCare – Major Progress Achieved



## Pipeline Progress

- Key late-stage pipeline assets progressed as planned or better
- Strong early- and mid-stage pipeline

## Efficiency Improvement

- Savings program on track
- Targeting approx. €430m p.a.
- Pharma margin improved

## Emerging Markets Growth

- Double-digit sales growth in 9M2011
- Expansion of marketing and sales organization

## Consumer Health

- Strong growth of key brands
- Consumer Care (OTC pharmaceuticals) gained share during 9M2011

# Xarelto – Novel Direct Factor Xa Inhibitor



- Large global program involving over 75,000 patients
- Met primary efficacy endpoints in 9 phase III studies:
  - RECORD 1-4, EINSTEIN DVT and EINSTEIN Extension; Rocket AF; MAGELLAN; ATLAS ACS-TIMI 51
- Marketing & regulatory status:
  - Launched in >85 countries for VTE prevention following total knee / hip replacement surgery
  - Launched in the US after approval for stroke prevention in patients with atrial fibrillation (SPAF)
  - Launched in Europe after approval for SPAF and DVT treatment
- ATLAS ACS-TIMI 51 Phase III trial met primary efficacy endpoint and showed significant reduction in mortality (>30%); filed for secondary prevention of ACS in Europe and the US
- EINSTEIN-PE Phase III study ongoing – data expected early 2012



DVT: deep vein thrombosis; VTE: venous thromboembolism; ACS: acute coronary syndrome

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# VEGF Trap-Eye – Fusion Protein To Combat Eye Diseases



- In-licensed from Regeneron – Bayer has exclusive marketing rights ex-US
- Met primary efficacy endpoint in 4 phase III studies (VIEW I & II, Copernicus & Galileo)
- Submitted for marketing approval in more than 10 countries including EU and Japan for wet age related macular degeneration (AMD)<sup>1</sup>
- Filing for central retinal vein occlusion planned for 2012
- Additional studies in diabetic macular edema and myopic choroidal neovascularization ongoing
- Start of SIGHT-Study in China – Phase III for wet AMD



<sup>1</sup> Regeneron Pharmaceuticals holds US rights – FDA approval November 2011

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# Alpharadin – New Opportunity to Treat Bone Metastases



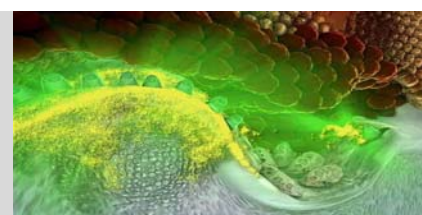
- Alpha-pharmaceutical (based on <sup>223</sup>Radium, delivering highly energetic, short ranging radiation) - in-licensed from Algeta
- Radium as natural bone seeker targeting bone metastases
- ALSYMPCA (phase III) in patients with bone metastases in prostate cancer (CRPC) stopped early - Alpharadin demonstrated 44% improvement in overall survival
- Filing targeted mid 2012
- Fast track designation granted by FDA



Bone metastases



Radium-223 deposition



Radium-223: highly localized tumor cell killing

CRPC: symptomatic hormone-refractory prostate cancer

# Regorafenib – New Treatment Option in Cancer



- Oral multi-kinase inhibitor of angiogenic, stromal and oncogenic receptor tyrosine kinases
- Currently studied in late-stage clinical trials in metastatic colorectal cancer (mCRC) and gastrointestinal stromal tumors (GIST)
- CORRECT phase III trial in mCRC\* stopped early on success (Oct '11)
  - Study met its primary endpoint of significantly improving overall survival
  - Full data to be presented at the ASCO GI
  - Submission for marketing authorization in mCRC planned for 2012
- Phase III program in GIST ongoing, expect results early 2012
- FDA granted orphan drug (GIST) and Fast Track (GIST & mCRC) designation

\* for patients whose disease has progressed after approved standard therapies

# Four Potential Blockbuster Products Expected to be Launched Near-term



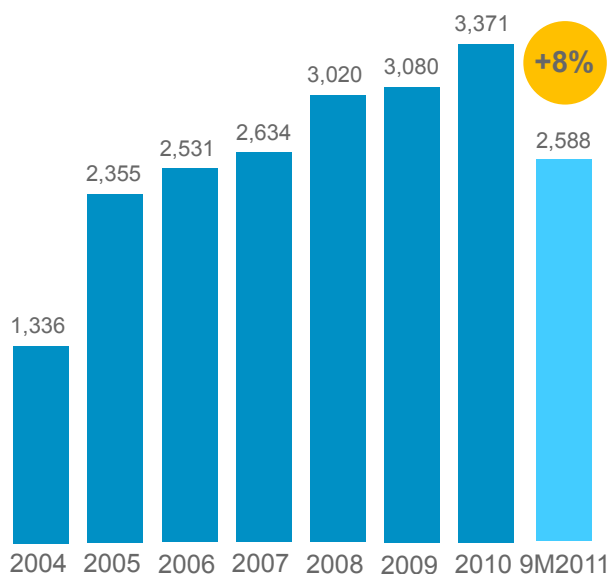
Project	Indications	Peak sales potential*
<b>Xarelto</b>	SPAF, other anticoagulation	> €2bn
<b>VEGF Trap-Eye</b>	wet AMD, DME, CRVO, myopic CNV	≥ €1bn
<b>Alpharadin</b>	Bone metastases in cancers	≥ €1bn
<b>Regorafenib</b>	mCRC, GIST, other cancers	≥ €1bn

\* Subject to approval as expected

# Consumer Care – Consistent Strong Performance



Sales Consumer Care in € million;  
Δ% y-o-y Fx and portf. adjusted



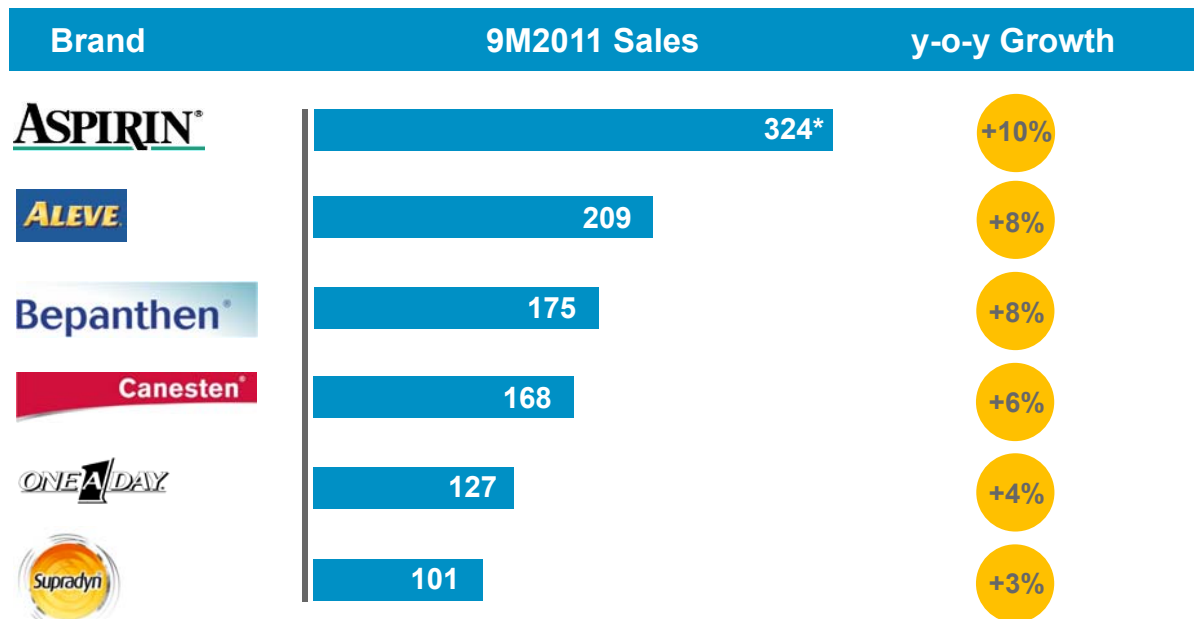
## Highlights

- Global #2 in OTC pharmaceuticals
- Track record of performance
- Some of the world's most recognized brands
- Acquired Roche OTC, Citracal, Sagmel and Topsun
- Significant organic as well as inorganic growth opportunities



# Consumer Care – Strong Brands

Sales in € million;  $\Delta\%$  y-o-y Fx adjusted



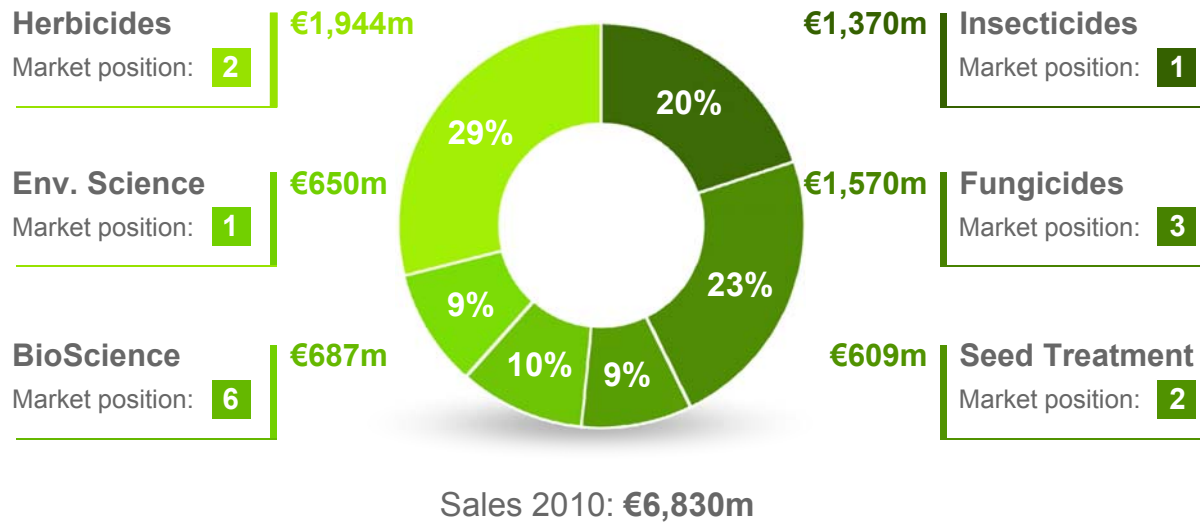
\* Only Aspirin CC sales, excluding Rx Aspirin Cardio



## Executing new

# Strategic Agenda

# CropScience – A Leader in its Markets



# CropScience – Major Progress Achieved



<b>Strategy</b>	<ul style="list-style-type: none"> <li>Developed and communicated new business strategy, execution underway</li> </ul>
<b>Performance &amp; Productivity</b>	<ul style="list-style-type: none"> <li>9M2011: 11% organic growth and 500bpts. higher margin</li> <li>Savings projects on target for €265m contribution by 2012</li> </ul>
<b>Innovation</b>	<ul style="list-style-type: none"> <li>Refocused R&amp;D investments</li> <li>R&amp;D productivity remains on high level</li> </ul>
<b>Emerging Markets</b>	<ul style="list-style-type: none"> <li>9M2011: 13% organic growth</li> </ul>

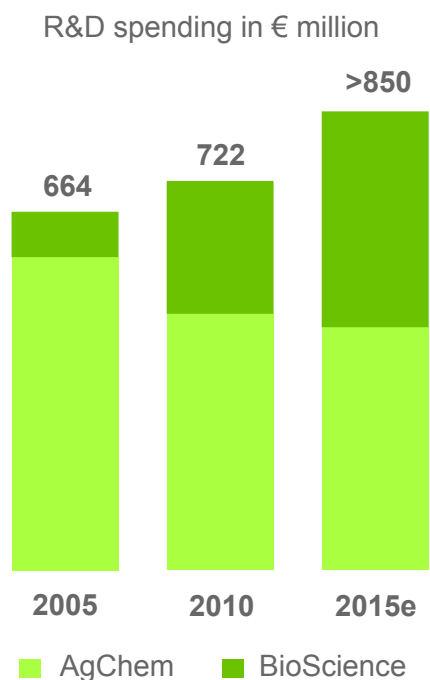
# CropScience – Strategic Roadmap



Rejuvenate the core Crop Protection business	Reinvent customer-centricity along the entire value chain	Rebalance and refocus innovation	Extend BioScience footprint
<ul style="list-style-type: none"> <li>Streamline portfolio</li> <li>Optimize our supply chain model and asset footprint</li> <li>Target savings of €265 million through 2012</li> </ul>	<ul style="list-style-type: none"> <li>Better understand and serve interconnected needs of customers, from farmers to agronomists, raw material processors, food processors, retailers and consumers</li> </ul>	<ul style="list-style-type: none"> <li>Raise overall R&amp;D spend to more than €850 million by 2015</li> <li>Increase BioScience R&amp;D to be level with AgChem spend</li> <li>Focus Crop Protection R&amp;D on high-growth areas</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen our position in established crops</li> <li>Develop leading positions in 3 of 4 broad acre crops</li> </ul>



# CropScience – Rebalance and Refocus Innovation



## Best-in-class R&D productivity

- 23 new agrochemical active ingredients launched since 2000, generated sales of €2bn in 2009
- Launched >45 AgChem formulations and >170 seed varieties since 2010
- Planning to launch 4 new molecules between 2012 and 2015
- Refocus R&D: Increase BioScience R&D to be level with AgChem spend, focus CropProtection R&D on high growth areas

# CropScience – Extend BioScience Footprint



## Strengthen our position in established crops

- Leverage cotton and oilseeds opportunities through regional expansion and new traits
- Continue to grow our strong vegetables franchise

## Develop leading positions in 3 of 4 broad acre crops

- Enter soybean seeds and traits market
- Invest in wheat to build leading breeding and traits platform
- Extend rice production considerably

Sales (in €m)	FY 2010	Change % Fx adj.
<b>Oilseeds</b>	<b>168</b>	+33
<b>Cotton seeds</b>	<b>152</b>	+54
<b>Vegetables</b>	<b>273</b>	+10
<b>Rice</b>	<b>34</b>	+36
<b>Total BioScience</b>	<b>687</b>	+27

- Secure proprietary access to top germplasm and breeding excellence
- Ensure fast and focused development of distinctive traits, in collaboration or alone



## From Megatrends To Business

# MaterialScience – Leading Positions in All Segments



Sales in € million

## Polyurethanes

€5,024m

- #1-2; approx. 23-24% market share\*

## Polycarbonates

€2,791m

- #1; approx. 27% market share

## Coatings, Adhesives, Specialties

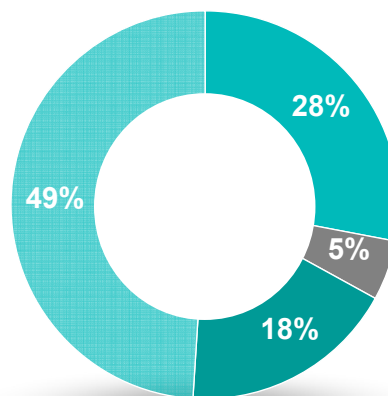
€1,791m

- #1; >40% market share\*\*

## Industrial Operations

€548m

## Sales Split by Segment 2010



€10,154m

# MaterialScience – Major Progress Achieved



## Performance

- 9M2011 – achieved 11% organic growth on higher prices, earnings basically flat on higher raw material costs

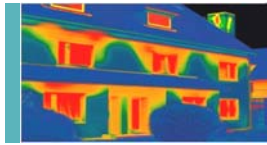
## Productivity

- Opened new world-scale TDI plant in China
- Capacity expansion at China site

## Emerging Markets

- 9M2011 plus 10% organic growth
- Global PC headquarter moved to China

# Capitalize on Global Market Trends and Spur Future Growth



## Energy consumption

Buildings are responsible for more than 40% of global energy use\*



## Greenhouse-gas emissions

14% of greenhouse gases worldwide origin from the transportation sector, making it the third largest emission source\*\*



## Noise

About 30% of the EU population are exposed to road traffic noise in excess of 55 dB(A) during night time\*\*\*

**Bayer polymers help to save energy, reduce CO<sub>2</sub> emissions and avoid traffic noise**

\*Source: UNEP, Sustainable Buildings and Climate Initiative

\*\*Source: World Resources Institute

\*\*\* WHO recommends less than 30 dB(A); dB(A): A-weighted decibel quality

# China – Center of Gravity of MaterialScience’s Customer Industries



- The largest construction market in the world
- The largest automotive market in the world
- The largest railway market in the world
- The largest consumer electronics market in the world
- World’s second largest economy with strong momentum
- World’s largest exporter



**World’s largest PCS market**

**To become the world’s largest PUR market by 2015**



**A close second behind the US for the world’s largest Coatings market**

# MaterialScience – Expansion of Production Capacities in China



## Strengthening Leadership Through Further Local Production and Know-how

- Second investment stage at largest, fully integrated site in Shanghai
- New investment of approx. €1bn in Shanghai until 2016 to
  - Increase MDI capacity to 1,000kt/year
  - Increase PCS capacity to 500kt/year
  - Increase HDI capacity, new 50kt line planned
- Expansion of local R&D activities

PUR	PCS	CAS
<b>MDI</b> 350 kt in 2010	<b>PCS</b> 200 kt in 2010	<b>HDI</b> 30 kt in 2010
+650 kt until 2016	+300 kt until 2016	+50 kt until 2016
<b>TDI</b> 250 kt in 2011		



MDI: methyl diphenylene diisocyanate, TDI: toluene diisocyanate  
HDI: hexamethylene diisocyanate, PCS: polycarbonate

# Building a World-Class Innovation Company



## 2011 A Year of Significant Progress

- **Delivered growth and performance, 9M2011: adj. sales up 7%, adj. EBITDA up 12%, reported EPS +43%, Core EPS +19%**
- **Group FY 2011 financial outlook<sup>1)</sup> projects 5-7% organic sales growth, adj. EBITDA > €7.5bn and core EPS growth of ~15%**
- **Further strategic progress:**
  - **Innovation pipeline:** 4 potential blockbuster compounds in pharma pipeline
  - **Productivity:** Group-wide restructuring plans with €320 million annualized savings already implemented
  - **Emerging markets:** 11% organic growth

<sup>1)</sup> As published with Q3 statements on October 27, 2011; the company is not providing intra quarterly guidance updates



Science For A Better Life

## Appendix

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## 3<sup>rd</sup> Quarter 2011 – Successful Development Continued



	Q3'11	Δ%
	€ million	€ million
<b>Sales</b>	8,670	+1 (+5)
<b>EBITDA</b>		
- reported	1,731	+41
- adjusted	1,805	+8
<b>EBIT</b>		
- reported	1,099	+95
- adjusted	1,174	+17
<b>Net income</b>	642	+125
<b>Net cash flow</b>	1,577	+1
<b>Free operating cash flow</b>	1,223	+5
<b>EPS</b>		
- reported	0.78€	+123
- core	1.12€	+18

( ) = Fx & portfolio adjusted

### Highlights of Financial Results

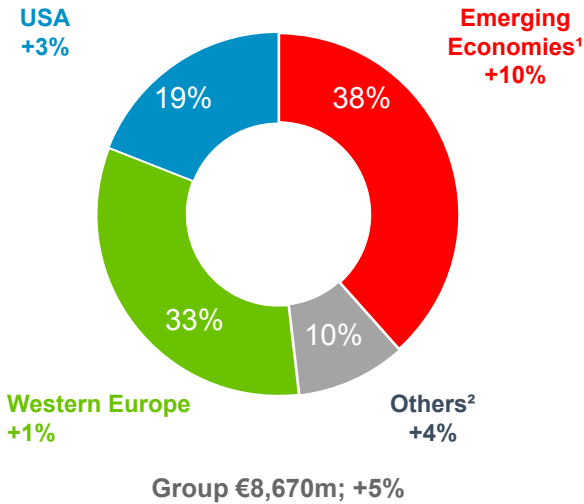
- All subgroups contributed to sales growth
- Continuing momentum in emerging markets
- Adj. EBITDA raised on lower costs at HealthCare and higher volumes at CropScience. MaterialScience lower due to higher raw material and energy costs
- Reported EBIT impacted by net special charges of €75m (prev. year €436m)

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# Emerging Markets Show Continuing Strong Momentum

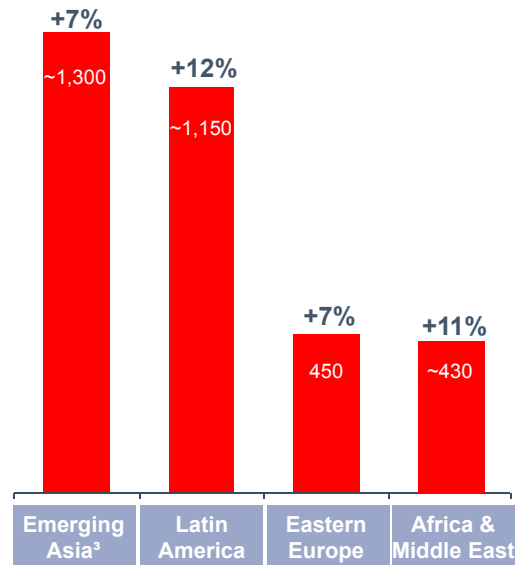


## 3<sup>rd</sup> Quarter 2011 Group sales by region



In € million, Δ% yoy Fx adjusted

## Emerging Economies



<sup>1</sup> Emerging economies include: Latin America, Asia w/o Japan, Australia, New Zealand, Africa and Middle East incl. Turkey, Eastern Europe

<sup>2</sup> Others = Japan, Australia, New Zealand, Canada

<sup>3</sup> Emerging Asia = Asia w/o Japan, Australia, New Zealand

# 3<sup>rd</sup> Quarter 2011 – Cash Flow And Net Debt Development



## Q3 2011 Cash Flow

In € million

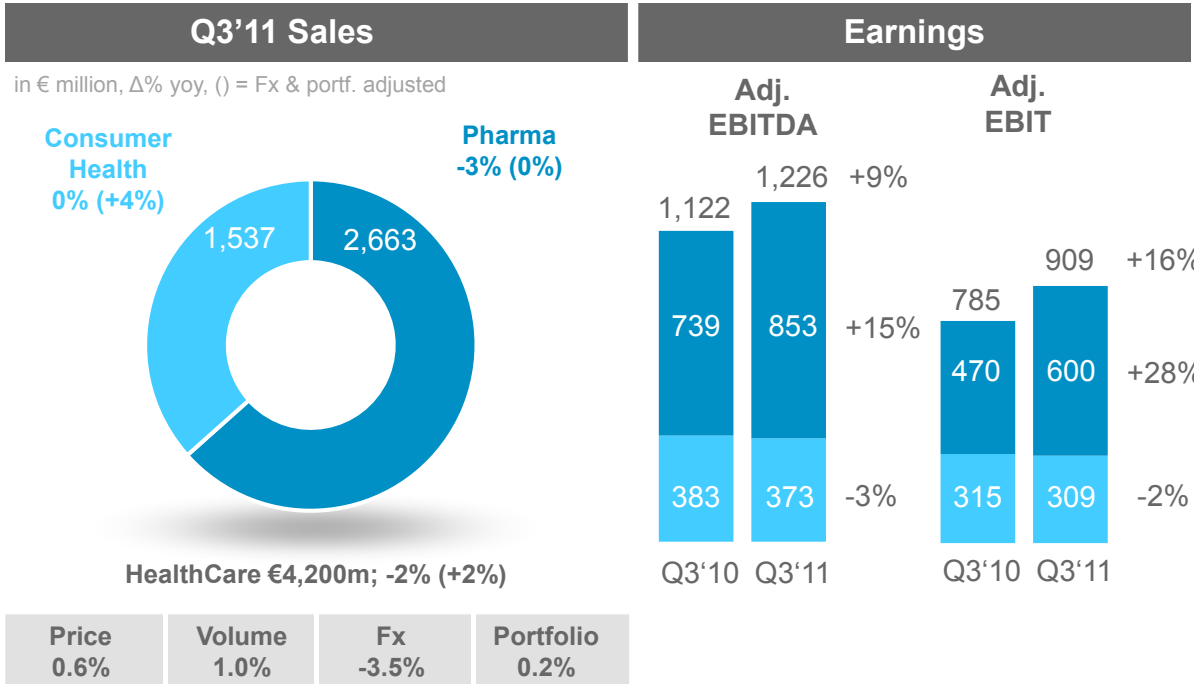
	GCF	NCF cont.	Investments	oFCF
	1,327	1,577	354	1,223
Δ % y-o-y	+50	+1	-10	+5

## Net Debt Development

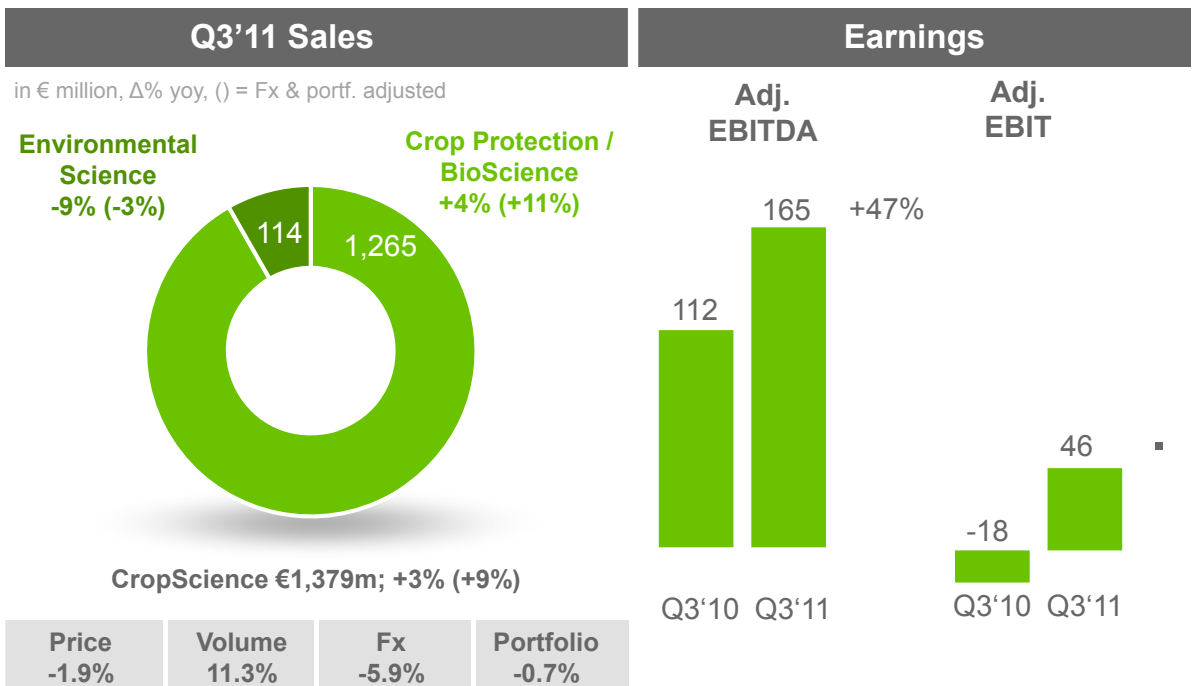
In € billion



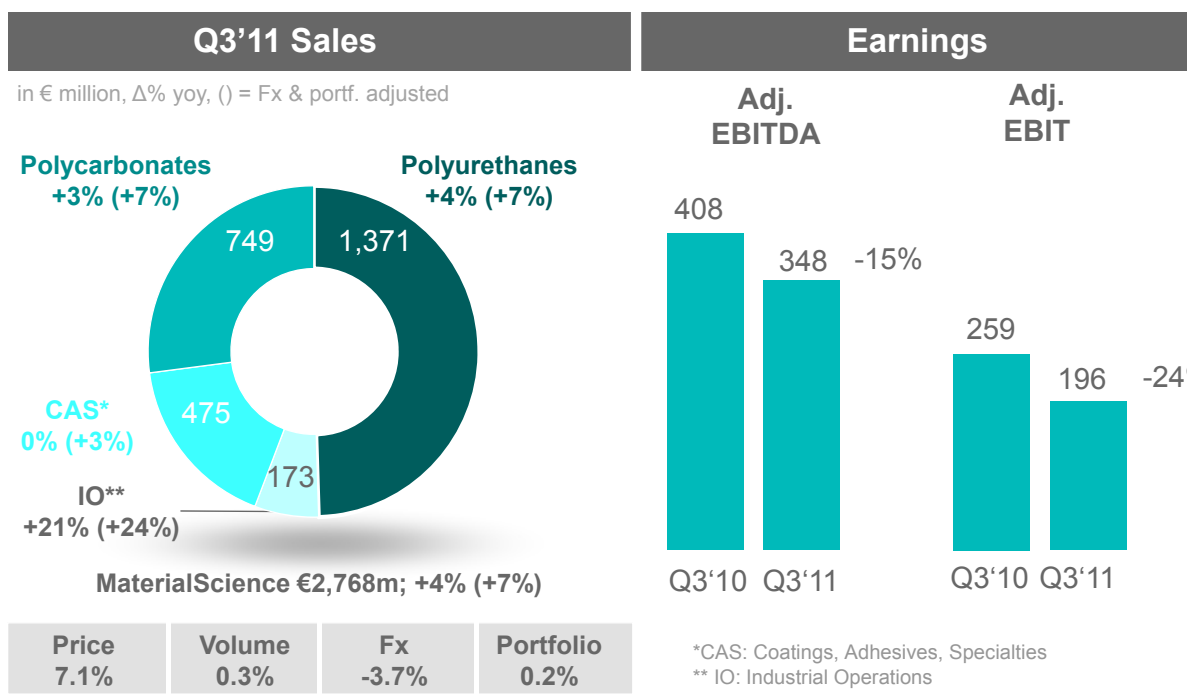
# HealthCare – Emerging Markets Driving Growth



# CropScience – Strong Volume Growth At Crop Protection



# MaterialScience – Sales Driven By Higher Selling Prices



# Reporting Events and AGM



Date	Event	Publication
Tuesday, February 28, 2012	Investor Conference Call	2011 Annual Report
March 13-14, 2012	Meet Management, Leverkusen	Investor Conference
Thursday, April 26, 2012	Investor Conference Call	1 <sup>st</sup> Quarter 2012 Results Stockholders' Newsletter
Friday, April 27, 2012	Annual General Meeting	
Tuesday, July 31, 2012	Investor Conference Call	2 <sup>nd</sup> Quarter 2012 Results Stockholders' Newsletter
Tuesday, October 30, 2012	Investor Conference Call	3 <sup>rd</sup> Quarter 2012 Results Stockholders' Newsletter



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