



Science For A Better Life



**Dresdner Kleinwort
German Investment Seminar**

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Important Information



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

The New Bayer – A Leader in its Markets

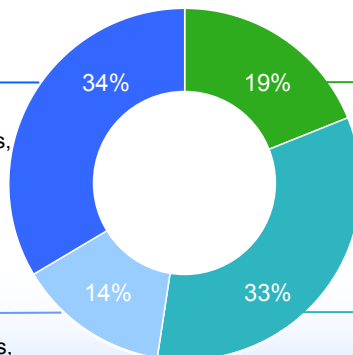


Pharmaceuticals

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

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

Material Science

€10.2bn polyurethanes and
polycarbonate business,
global # 1

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

Break-down excluding reconciliation sales

Transformation Strategy Has Clearly Paid Off



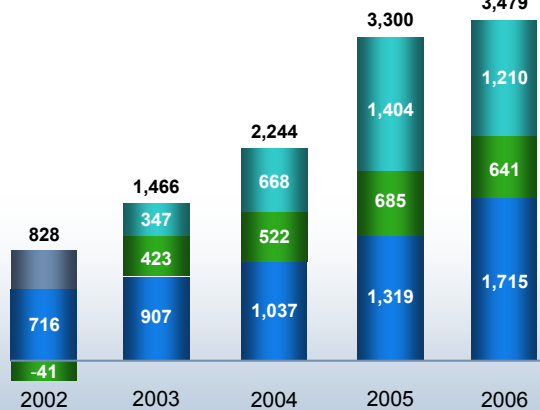
Achievements between 2002 and 2006

- 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
 - Strong performance continued in '07, on track to reach financial targets
- Improving portfolio**
 - Portfolio balance shifted towards HealthCare (from 32% to pro-forma 48%)
 - Rx and OTC pharmaceuticals businesses doubled in size
 - Now market leader in agrochemicals
 - All mature chemicals activities exited in several stages
- Developing new growth opportunities**
 - Developed a pharma pipeline with the potential to transform the business
 - €1bn sales target for new CropScience products achieved
 - Material Science business expanded into China

Delivered Performance and Achieved Financial Targets



Underlying EBIT in € million



Δ% vs. 2002

Group + 320%

MaterialScience + 249%*

CropScience •

HealthCare + 140%

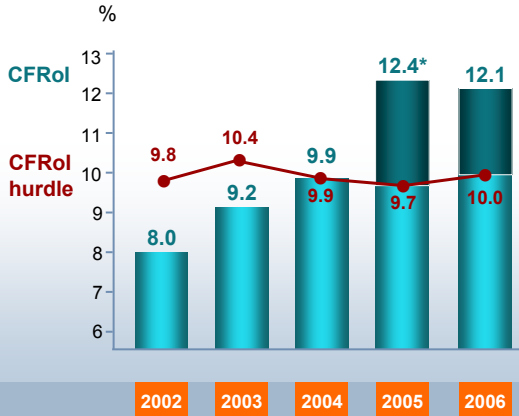
*Δ% vs. 2003
As reported in respective year
2002 as reported in 2003
2003 as reported in 2004
2006 excluding H.C. Starck and Wolff Walsrode

Underlying EBITDA margin

Profitable Growth – Returns over Cost of Capital at Record Levels



Value Generation in 2006



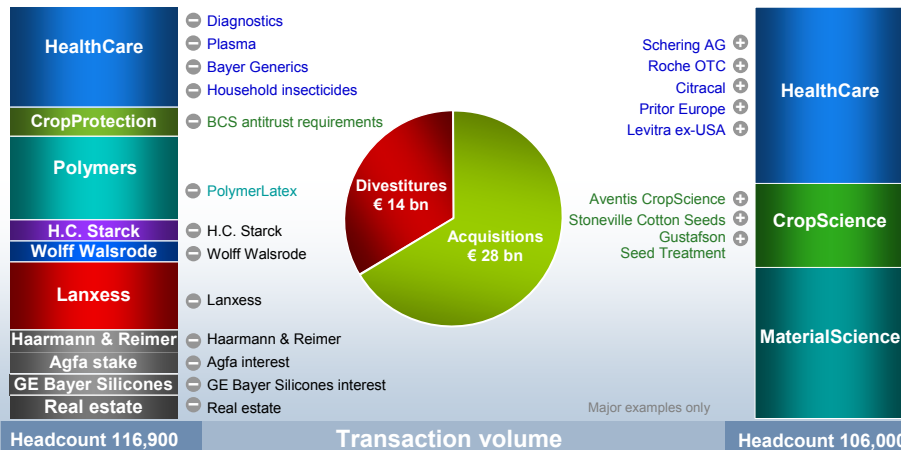
- CVA of € 725 m
- HealthCare and MaterialScience exceeded their target returns including asset reproduction
- CFROI is the ratio of gross cash flow to capital invested (€ 32.3 bn)
- CFROI-hurdle (10.0%) is the minimum return required to cover cost of capital and reproduction of depletable assets
- Group WACC at 7.0%

Portfolio Balance Clearly Shifted Towards HealthCare



2001 Sales € 30.3bn

2006 Sales (pro-forma) € 31.7bn

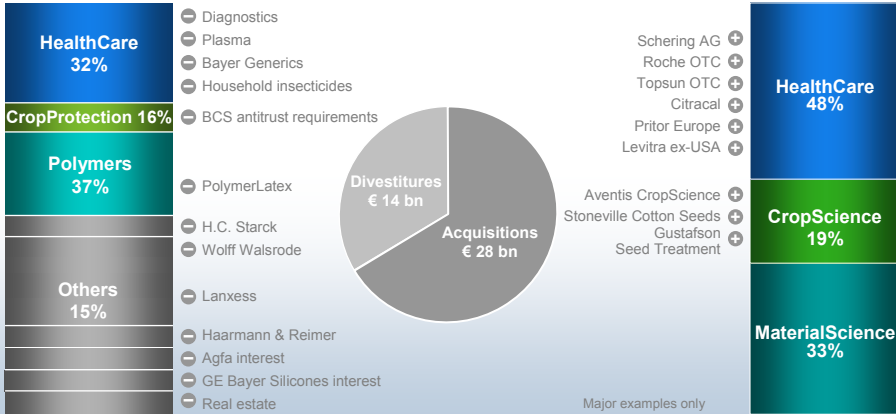


Portfolio Balance Clearly Shifted Towards HealthCare



2001 Sales € 30.3bn

2006 Sales (pro-forma) € 31.7bn



Headcount 116,900

Transaction volume

Headcount 106,000



■ We confirm our successful strategy

Bayer's Successful Strategy



Strategic Direction



- Deliver growth and performance
- Strengthen HealthCare
- Stay in CropScience, continue to explore opportunities in seeds
- Stay in MaterialScience, organic growth as priority
- Develop new growth opportunities

Transaction Financing



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

Probable Timing



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

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

Strong Performance Continued in 2007

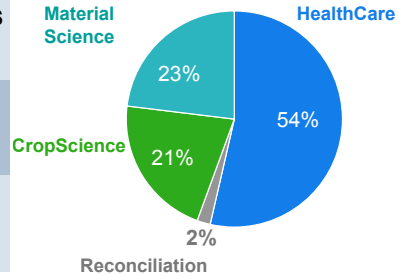


9M 2007 Key Figures

Underlying EBITDA by Subgroup

In € million, Δ% y-o-y

	Sales	EBITDA*	EBIT*	Core EPS
	24,345	5,355	3,513	€3.09
Δ%	+ 16%	+ 24%	+ 23%	+ 24%
Δ% Adj. **	+ 7%			



* Before special items

** Currency & portfolio adjusted

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Further Strategic Progress in 2007



Integration of Schering

- Synergy target raised to >€800m
- Expect 80% completion in 2008

Strengthen HealthCare

- Acquired calcium supplement brand Citracal
- Alliance with Medtronic for our blood glucose meter business
- Inlicensed rThrombin, inhaled Amikacin

Seeds & traits expansion

- Acquired US cotton seed company Stoneville
- Expanded reach of Liberty Link-technology into corn and soy

Restructuring actions

- New €300m program initiated at MaterialScience
- Total volume now >€1.5bn (incl. Schering) by 2009

Disposals

- Professional Diagnostics, H.C. Starck and Wolff Walsrode closed
- Sale of Hennecke, a polyurethane processing machinery company

Deleveraging

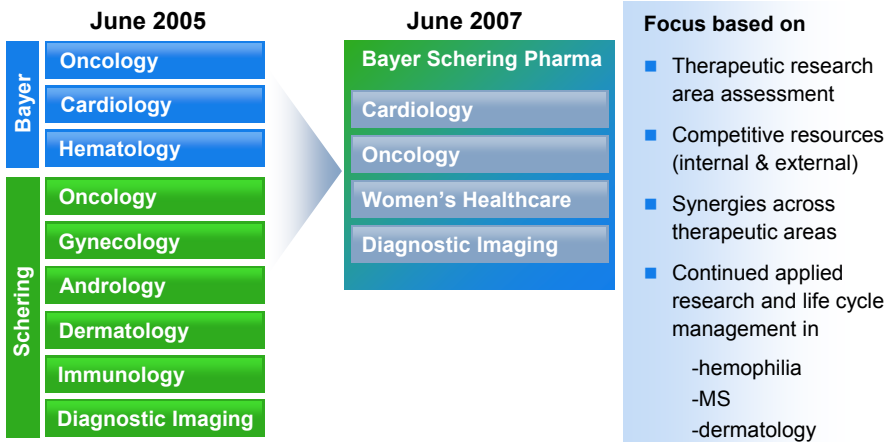
- Reduced net debt by €4.8bn (Q3) already in 2007

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■ We are developing new growth opportunities

Pharma R&D Focused on Four Therapeutic Research Areas



Leveraging our learnings in improving R&D efficiency

Our Focused Approach is Paying off – Pipeline Advances During 2H 2007



We can report the following advancements since our HealthCare Day in June:

- 3 approvals
 - Nexavar HCC
 - Campath 1st line chronic B-CLL
 - Primovist MRI (J)
- 3 submissions for regulatory approval
 - Xarelto VTE prevention (EU)
 - DUB-OC oral contraception (EU)
 - Zevalin: 1st line consolidation foll. Lymphoma (EU)
- 5 new phase III projects
- 5 new phase II projects
- 2 new phase I projects

Our R&D Pipeline Provides a Balanced Mix of NME and LCM Opportunities



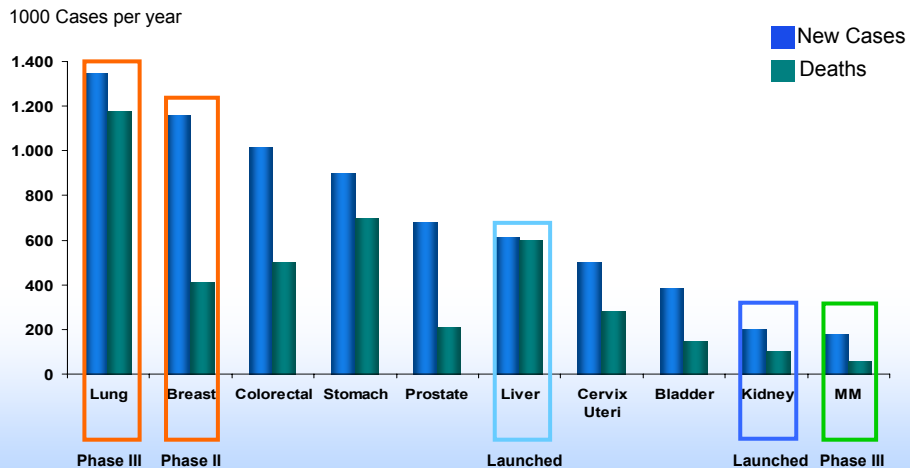
	Phase I	Phase II	Phase III	Submitted
No. of projects	13	20	20	9
	PH in COPD Elastase Inhibitor Pancreatic Cancer / Melanoma L19-Interleukin 2 Cancer L19-SIP Colorectal Cancer L19-TNFalpha Breast Cancer Novel SERD ACS Dual Fita/Xa Inhibitor Hypogonadism Treatment of-Ment Gastro IBD Lipoxin DME VEGF Trap-Eye Alzheimer PET Imaging AV1/ZK Cancer DAST Inhibitor Menopausal Management ERβ Agonist Fast Dissolving Tablet Levitra	A/Ib / Stable Angina Adenosine A1 Agonist Acute Heart Failure sGC Activator Pulmonary Hypertension / CTEPH sGC Stimulator ACS Rivaroxaban RCC 1st / 3rd line L19-Interleukin 2 Breast Cancer ZK-PBA Lung / Ovar / Breast / Prostate Sarilumab (ZK-EPO) Parkinsons Disease Spheramine Heart Failure sGC Stimulator Gram-neg. VA Pneumonia Amikacin inhaled (NKTR-061) Liposomal Formulation Kogenate Breast Cancer Nexavar Additional Indications Nexavar Fertility Control FC Patch Fidenzia Fertility Control Valette low New Indications Levitra Lung Infection Cipro Inhaled OC EP-DRSP OC+SD OC+DHEA OC Valette plus	Medical ill Rivaroxaban SPAF Rivaroxaban VTE Treatment Rivaroxaban wet AMD VEGF Trap-Eye Melanoma, 1st line Nexavar NSCLC, 1st line Nexavar Multiple Sclerosis Alemtuzumab Bone Met. Prevention in Breast Cancer Bonetos Dysmenhorrea (J) YAZ Fertility Control YAZ Flex Menorrhagia Mirena Menopausal Management Angeliq low-low Endometriosis Vasiana Fertility Control Yasmin plus / YAZ plus Fertility Control LCS (ULD LNG) OC Ultravist 370 New Indications (US) Avexol 1st + 2nd line aggr. NHL Zevalin ACS Aspirin i.v. MRI (USA J); pediatric Gavovist	CKD (J) Fosrenol Bleeding control rThrombin VTE Prevention Rivaroxaban VMS Menostar transdermal HRT (J) E2 / LNG MRI (J) Magnevist MRA PID / New Indications (EU) Avexol 1st line indolent NHL Zevalin OC DUB-OC (E2/DNG)
				<ul style="list-style-type: none"> ■ New Molecular Entities (NME) ■ Life Cycle Management (LCM)
				Status as of Dec 21 2007

Nexavar – A Franchise Building Opportunity



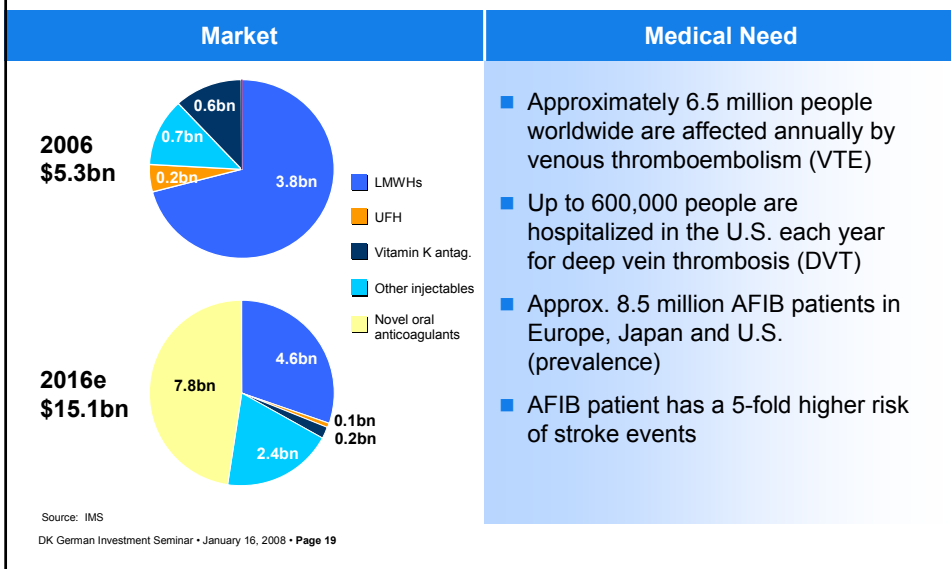
- Established global brand as targeted cancer therapy
- Dual mechanism – antiangiogenic & antiproliferative
- Approved for treatment of renal cell (RCC) and hepatocellular carcinoma (HCC)
- 1st targeted cancer therapy in RCC
- Unprecedented results in HCC – 44% improvement in overall survival
- Manageable side-effect profile
- >170 clinical studies ongoing

Expanding Nexavar's Reach Into Large Tumor Types



Source: Globocan 2002, ranked by incidence

Anticoagulants – A Large Unmet Medical Need



Xarelto (Rivaroxaban) – Potentially Redefining the Market for Anticoagulants



An ideal anticoagulant should have ...

Xarelto has:

Oral administration	Convenient use both in and out of hospital	✓
Once daily dosing	Key issue to enhance compliance in the target population	✓
Predictability	Safe and effective regulation of coagulation from the first dose and throughout therapy	✓
Wide therapeutic window	Broad safety margin at a wide range of effective doses	✓
Minimal food/drug interactions	Ease of use with concomitant medication and diet	✓
No monitoring	No need for laboratory monitoring saves healthcare costs through fewer hospital / physician visits and patients' time	✓

Pivotal Phase III Data Show Superior Efficacy of Xarelto over Enoxaparin*



RECORD 1 RECORD 2 RECORD 3

- Double-blind, randomized, controlled Phase III studies for VTE Prevention in elective total knee or hip replacement patients vs. enoxaparin
- Xarelto consistently demonstrated superior efficacy vs. existing standard of care
- Xarelto has shown a safety profile with low bleeding rates similar to enoxaparin
- More than 14,000 patients have been exposed to Xarelto to date - no evidence of liver signal attributable to Xarelto observed
- No evidence of liver signal attributable to Xarelto in 2,400 patients treated for 3-6 months
- More definite statement on safety can be made upon availability of data from long term exposure to Xarelto
- Clinical data are building further confidence but still some way to go in the clinical development program

*Published at ASH in Dec. 2007

Submitted in EU in October for VTE prevention after major orthopedic surgery of the lower limbs

Comprehensive Late-Stage Development Program for Xarelto in Place



Trial status	Indication	Trial design	Dosing	Guidance
Phase III RECORD	VTE Prevention in patients undergoing major orthopedic surgery	>12,000 pts, hip replacement or knee replacement vs. standard treatment (enoxaparin)	10mg once daily for 5 weeks (hip) or 14 days (knee)	Filed in EU; Regulatory filing planned in U.S. 2008
Phase III ENSTON	VTE Treatment and long-term secondary prevention	~7,500 pts, vs. standard treatment	20mg once daily main dose, treatment duration up to 12 months and beyond	Regulatory filing expected in 2010
Phase III ROCKET AF	Prevention of stroke in patients with atrial fibrillation (SPAF)	~14,000 pts, non-inferiority vs. standard treatment (Warfarin)	20mg once daily main dose, treatment duration 12-24 months	Regulatory filing expected in 2010
Phase III MAGELLON <i>*expected</i>	VTE Prevention in hospitalized acute medically ill patients	~8,000 pts, vs. standard treatment (enoxaparin)*	10mg once daily for 5 weeks*	Regulatory filing expected in 2011
Phase II ACS	Secondary prevention of fatal and non-fatal cardiovascular events in patients with acute coronary syndrome (ACS)	~3,500 pts, on top of standard treatment	Dose finding study, twice and once daily dosing for up to 6 months	Regulatory filing currently expected in 2012

Alemtuzumab Has Demonstrated Best Treatment Effects Ever Seen in a Controlled MS Trial so far



- In a two-year phase II interim analysis Alemtuzumab was significantly more effective than Rebif in suppressing MS relapses and slowing accumulation of disability in MS patients:

Alemtuzumab dose	Reduction in risk for relapse vs. Rebif	Reduction in risk for progression of clinically significant disability	Reduction in disability compared with pre-treatment baseline (EDSS score)
12 mg	72% (p<0.0001)	88% (p<0.0008)	Significant
24 mg	87% (p<0.0001)	66% (p<0.0098)	Significant

- New three-year top-line results presented atECTRIMS 2007 were statistically significant confirming all trends of the one-year and two-year analyses, including the positive impact on disability
 - Patients taking alemtuzumab experienced at least a 73 percent reduction in the risk for relapse and at least a 70 percent reduction in the risk for progression of clinically significant disability after three years of follow up
- Formal database lock of CAMS223 and report on further data expected in 2008
- Immune Thrombocytopenic Purpura (ITP) – 36 months update
 - 6/216 patients treated with alemtuzumab developed ITP during the study
 - No new cases of ITP in past one year

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Alemtuzumab – Phase III in MS Initiated



- CARE-MS: Comparison of Alemtuzumab and Rebif Efficacy in MS

CARE-MS I

Early active RRMS
Up to 525 treatment naïve patients
Alemtuzumab 12mg vs. Rebif 44mcg

CARE-MS II

RRMS in patients previously treated with disease modifying therapy
Approx. 1,200 patients
Alemtuzumab 12mg and 24mg vs. Rebif 44mcg

- Randomized, open label, active control studies
- Treatment Duration: 2 years after last patient is enrolled
- Primary Outcome Measure: Time to sustained accumulation of disability (SAD)
- Relapse Rate

Overall efficacy and safety observed in phase II study to be established and confirmed in the phase III program

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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	>2012	>750
Rivaroxaban	VTE Prevention	2009	>2,000
	Medical ill	Filing expected 2011	
	DVT Treatment	2011	
	Stroke Prevention in AFIB	2011	
	Acute Coronary Syndrome	>2012	
VEGF Trap-Eye	Wet AMD	2012	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

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Best-in-class Crop Protection Pipeline



	Research	Early development	Advanced development	(Pre-) Launch	already launched
Launch (E)	≥2015	2013-2015	2008-2012	2007-2008	2000-2006
Total	45 Projects	9 A.I.s	9 A.I.s	4 A.I.s	17 A.I.s
Herbicides*	42	8	4	2	5
Fungicides**			4		6
Insecticides**			1	2	6
Plant Health	3	1			

* incl. safeners

** including seed treatment applications



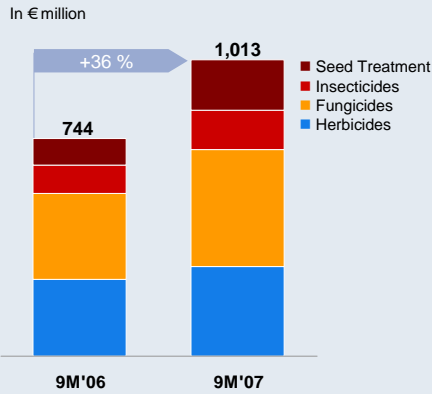
- New a.i.s launched since 2000 collectively generated > €1bn in sales in 2006
- Peak sales potential of €2bn from 26 new active ingredients targeted by 2011

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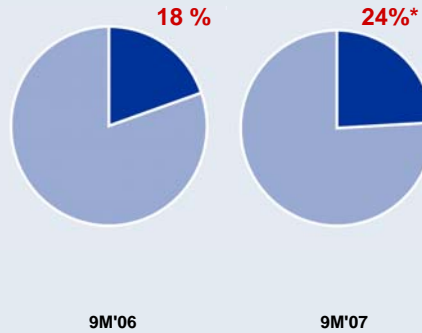
Innovation at Crop Protection Drives Improvement of Product Mix



Sales of new a.i.s



Share of new a.i.s in agchem sales



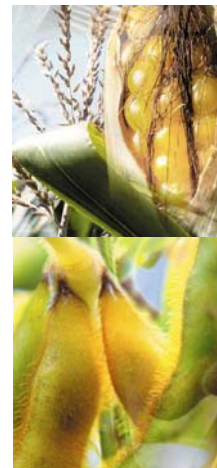
* Agrochemical sales - include Crop Protection and Environmental Science, exclude BioScience business
 Crop Protection only: 27.1 % in 9M'07

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Expand Reach of LibertyLink Technology into Corn and Soy



- Growing weed resistance to glyphosate spurs strong market interest in our LibertyLink technology
- Liberty herbicide (active ingredient: Glufosinate-ammonium) is effective on weeds which are resistant to Glyphosate, making it an excellent resistance management tool
- CropScience granted Monsanto a non-exclusive, royalty-bearing license to LibertyLink technology for use in corn and soybeans
- Collaboration with Mertec LLC and M.S. Technologies LLC to jointly develop and commercialize soybean varieties with herbicide tolerance combinations
- Expansion of production capacities for Liberty herbicide underway



Potential for significant trait income and sales of our Liberty herbicide

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



Strengthen our regional competitiveness through local production in China



PUR	PCS	CAS
MDI 80 kt in 2006 (crude MDI splitter) 350 kt in 2008* TDI 300 kt in 2010**	PCS 40 kt in 2005 (PC compounding) PCS 100 kt in 2006 +100 kt in 2008*	HDI 30 kt in 2006 +20 kt thereafter** PUD 20 kt in 2008** Desmodur® N 12 kt in 2003 Expansion in 2008** Desmodur® L 11 kt in 2004 +10 kt in 2007*
*under construction **planned All numbers are name plate capacities Dates refer to availability on stream		



■ We are optimistic about future developments

Positive Outlook: 2007 to Set a New Record



Group

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

* Underlying EBITDA margin

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Subgroups

- **HealthCare** (raised in Nov. '07)
Growth in all divisions at or above market. Margin* above 25%.
- **CropScience** (reiterated in Nov. '07)
Sales above previous year's 2nd half. Margin* above 22%.
- **MaterialScience** (up-dated in Nov. '07)
Higher volumes and good, value-creating earnings level. Q4 underlying EBITDA below Q3 but above Q4 '06.



Science For A Better Life

