



Science For A Better Life



**Investor Handout
Q1 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. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.



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

Bayer's Transformation I – A Period of Significant Progress



In €	2002	2007
Sales	29.6bn	32.4bn
EBIT underlying	823m	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

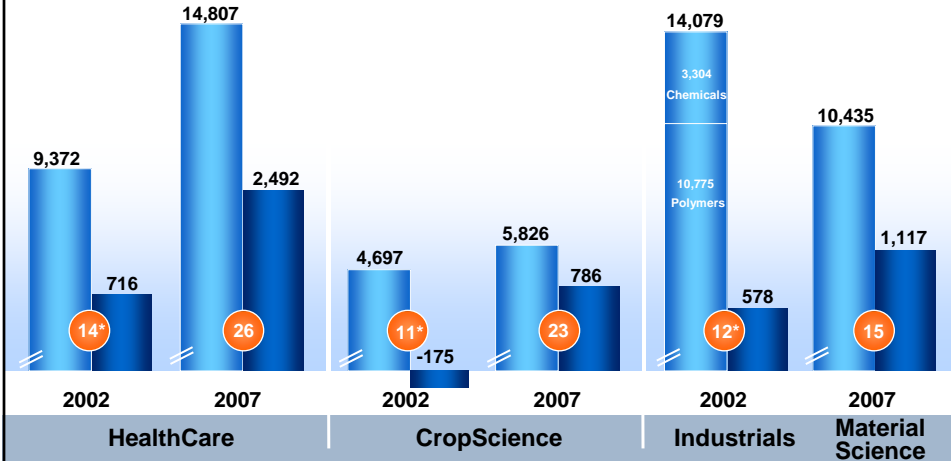


Bayer's Transformation II – Improved Portfolio and Higher Margins in All Businesses



In € million

■ Sales
■ EBIT underlying
● EBITDA margin reported*/ underlying



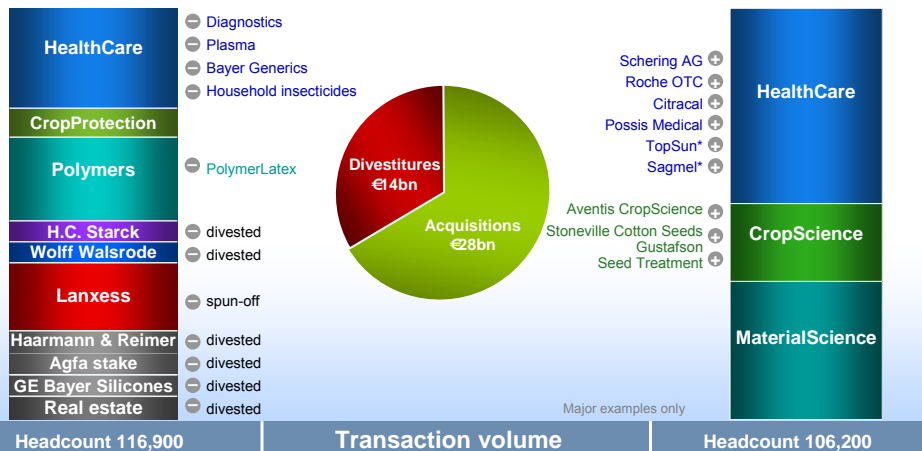
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Six Years of Increasing Focus for Growth - Transaction Volume > €42bn since 2002



2001 Sales €30.3bn

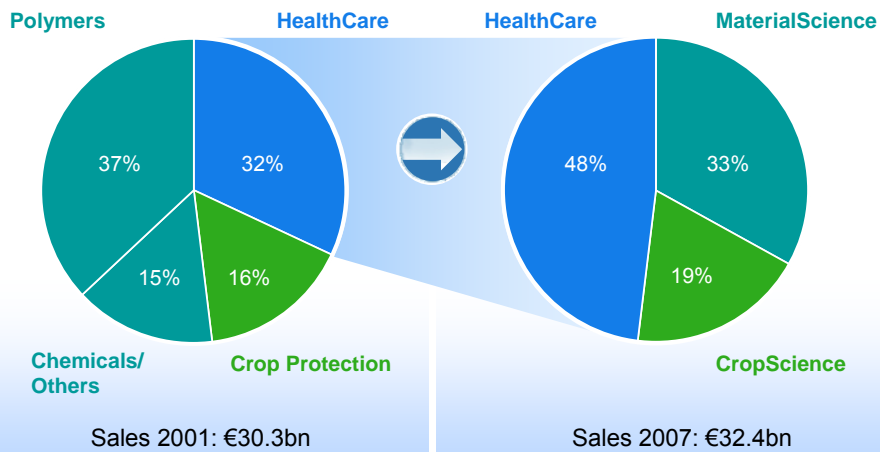
2007 Sales €32.4bn



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*pending

Portfolio Balance Clearly Shifted Towards HealthCare



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We Reiterate Our 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

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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

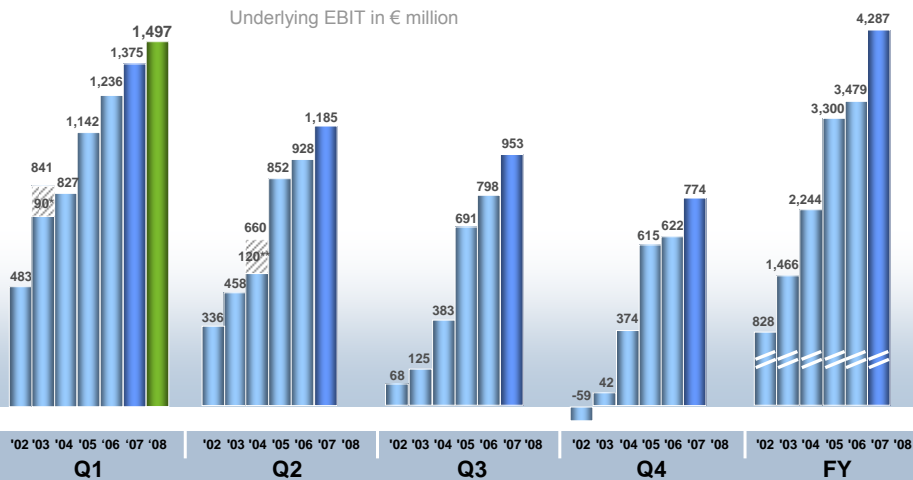


Group exceed 22% in 2009



■ Excellent start to 2008

21 Consecutive Quarters With Y-o-Y Underlying EBIT Improvement



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2002 underlying EBIT as reported in FY 2003
 2003 underlying EBIT as restated in 2004
 2004-2008 underlying EBIT as reported in respective years

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

Q1 '2008 – Upward Trend Unabated

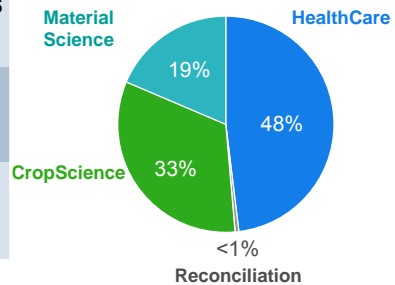


Key Figures

Underlying EBITDA by Subgroup

In € million, Δ% y-o-y

	Sales	EBITDA*	EBIT*	Core EPS
	8,536	2,185	1,497	€1.44
Δ%	+ 2%	+ 10%	+ 9%	+ 14%
Δ% Adj. **	+ 7%			



* Before special items
 ** Currency & portfolio adjusted

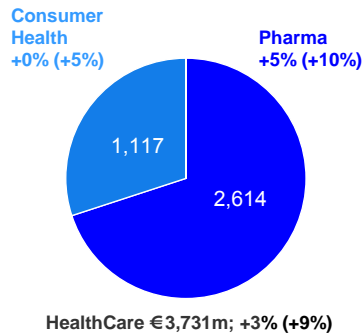
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HealthCare –Momentum Gained

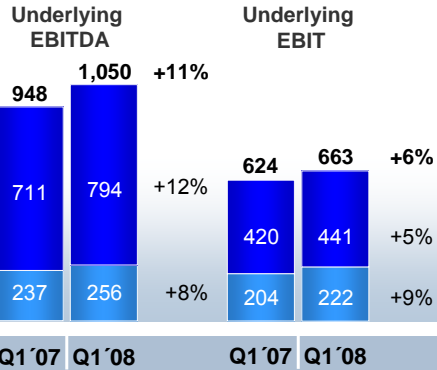


Q1 '08 Sales

In € million, Δ% y-o-y



Earnings



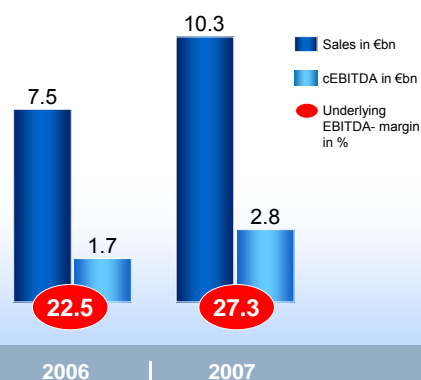
() Currency & portfolio adjusted

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The Integration of Schering Continues to Progress Well



Pharmaceuticals



- 6% organic growth during integration demonstrates no business disruption
- Top 15 products collectively growing at 14% (ex Cipro; Fx adj.)
- Margin progression faster than anticipated
- Expect 80% synergy realization in 2008
- Formulated new R&D strategy, consolidated R&D sites and pipeline

Strong start into 2008:

Sales: +10% | cEBITDA: +12%

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Q1'08 – Cash Flow and Net Debt



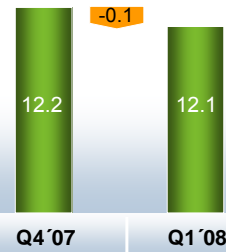
Q1'08 Cash Flow

Net Debt Development

In € million

	GCF	NCF cont.	Investments	oFCF
	1,651	528	288	240
Δ % y-o-y	+17%	+41%	+43%	+13%

In € billion

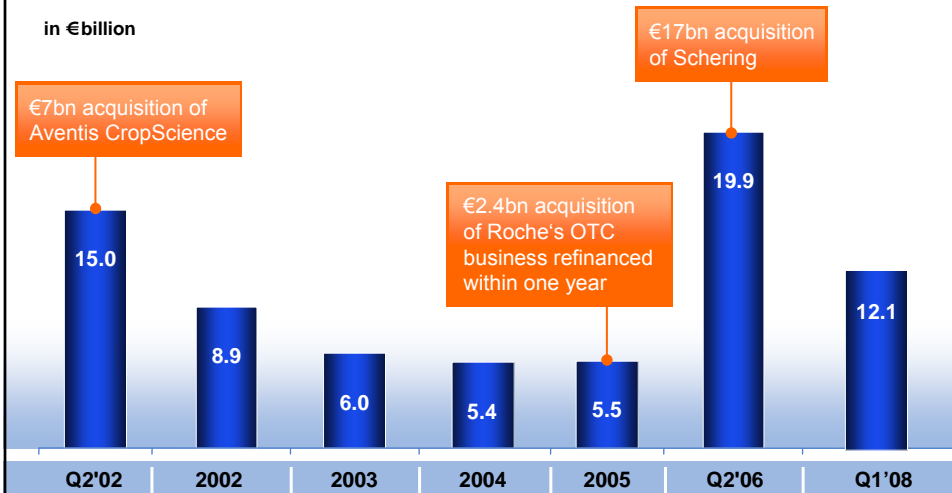


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Single A Credit Target Achieved ahead of Schedule



in €billion

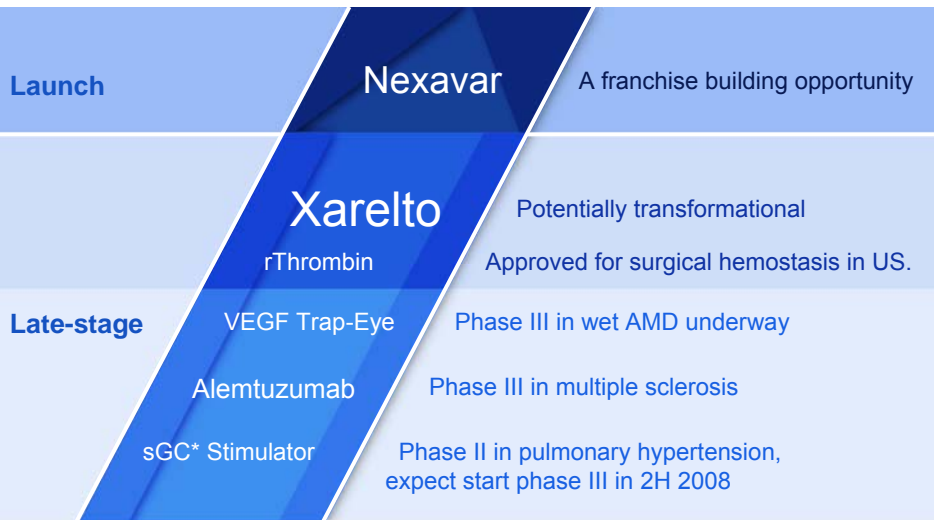


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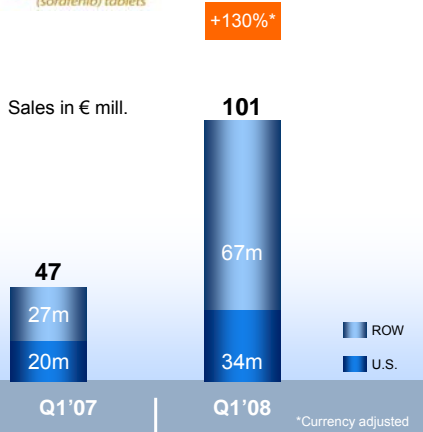


■ We are developing new growth opportunities

Pharma Pipeline Promises Accelerated Growth after 2009



Nexavar – A Franchise Building Opportunity



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

Xarelto - Comprehensive Late-Stage Development Program in Place



Trial	Indication	Trial design	Expected Filing
Phase III RECORD	VTE Prevention in patients undergoing major orthopedic surgery	>12,000 patients vs. enoxaparin	EU submitted; U.S. mid 2008
Phase III ENSTEER	VTE Treatment and long-term secondary prevention	~7,500 patients vs. enoxaparin + warfarin	2010
Phase III ROCKET AF	Prevention of stroke in patients with atrial fibrillation	~14,000 patients vs. warfarin	2010
Phase III MAGELLAN	VTE Prevention in hospitalized acute medically ill patients	~8,000 patients vs. enoxaparin	2011
Phase II ATLAS ACS TIMI 44	Secondary prevention of cardiovascular events in patients with acute coronary syndrome (ACS)	~3,500 patients	2012

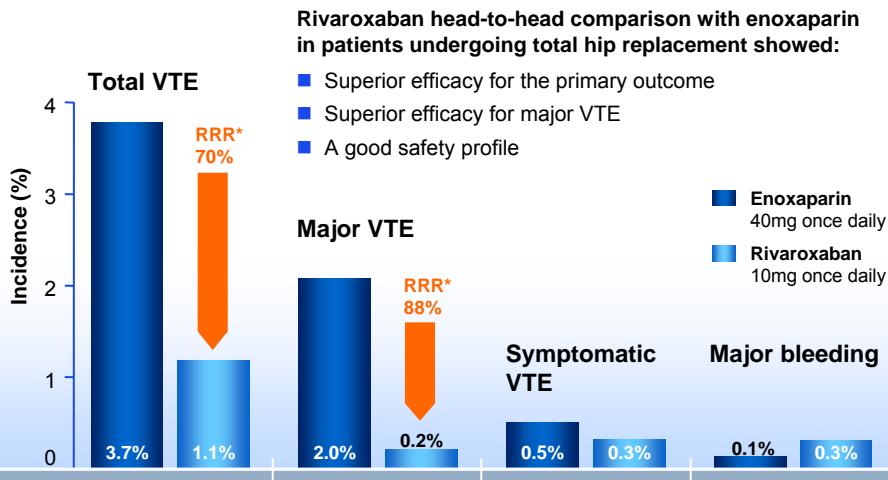
RECORD1-3 Data Consistently Demonstrated Superior Efficacy of Xarelto over Enoxaparin



Study		Duration of rivaroxaban therapy	Duration of enoxaparin therapy	Status
RECORD1	THR*	5 weeks	5 weeks	Results reported
RECORD2	THR*	5 weeks	10-14 days, followed by placebo	Results reported
RECORD3	TKR*	10-14 days	10-14 days	Results reported
RECORD4	TKR*	10-14 days	10-14 days	Expected at EFORT (May 30, 2008)

*THR: Total Hip Replacement; TKR: Total Knee Replacement

RECORD1: Summary of Results



Eriksson et al., Blood 2007 *RRR: Risk Reduction Rate

Alemtuzumab – Potential To Be Best Therapy in the Multiple Sclerosis Market



- Alemtuzumab is a humanized monoclonal antibody
- Best treatment effects ever seen in a controlled MS trial so far
- 3 year top-line Phase II results versus Rebif (presented at ECTRIMS 2007*)
 - 73% reduction in the risk for relapse
 - 70% reduction in risk for progression of clinically significant disability
 - Improvement in disability scores (EDSS)
 - Achieved with 1x per year dosing regimen
- Two Phase III studies started in Sept. 2007 to confirm efficacy
 - Safety: comprehensive risk management program in place

* Final data presented at AAN 2008; publication pending

Over the Next 12 Months our Pharma Pipeline is Expected to Mature

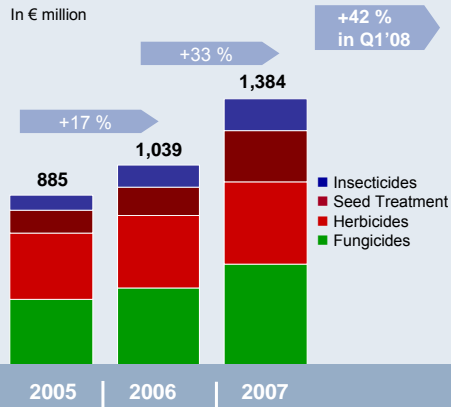


Xarelto	Record 4-Results Filing US Safety Update ATLAS-Results (PHII)	EFORT, May 30 Mid 2008 Following US filing Late 2008 / early 2009
Nexavar	HCC in Asia/Pacific (PHIII); data from other clinical trials (various tumor types) Results melanoma study (ECOG, PHIII) HCC approval in China	ASCO, June End of 2008 / early 2009 Expected approval mid 2008
Amikacin Inhaled sGC Stimulator rThrombin ZK-EPO	Pneumonia Pulmonary Hypertension Surgical Hemostasis (EU) Solid Tumors	Phase III initiation 2H'08 Phase III initiation 2H'08 Phase III initiation 2H'08 Phase III initiation 1H'09

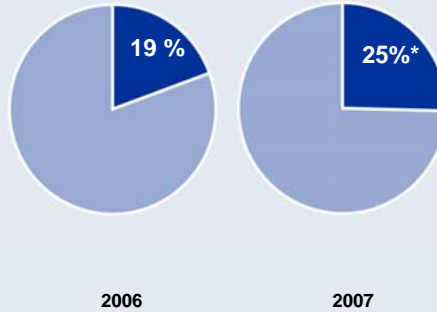
Bayer CropScience Is Investing €650m in R&D Driving Top-Line and Mix Improvements



Sales of new a.i.s



Share of new a.i.s in agchem sales



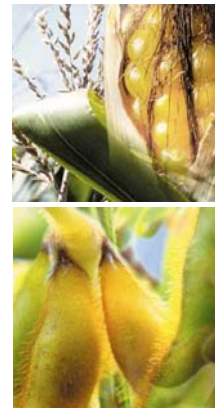
Agchem sales: include Crop Protection and Environmental Science, exclude BioScience business
 * Crop Protection only: 28.5 % in FY'07

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Expanding the Reach of LibertyLink Technology into Corn and Soy



- Growing weed resistance to glyphosate spurs market interest in our LibertyLink technology
- Liberty herbicide (glufosinate-ammonium) is effective on glyphosate-resistant weeds
- CropScience granted Monsanto a non-exclusive, royalty-bearing license to use LibertyLink technology in corn and soybeans
- Collaboration with Mertec and M.S. Technologies to develop and commercialize new herbicide tolerance traits in soybeans
- 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 Under Way






Strengthen our regional competitiveness through local production in China



PUR: Polyurethanes
 PCS: Polycarbonates
 CAS: Coatings, Adhesives, Specialties

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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 <i>Expansion in 2008*</i> 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		



■ Optimistic about future developments

2008 Outlook Targets Further Growth, Strong Cash Generation and Improved Margins



2008 sales and earnings expectations

■ Group

Fx adj. sales increase by 5%
Increase in underlying EBITDA and margin*
Planning is based on 1.51€/US\$

■ HealthCare

Fx adj. growth in all divisions at or above market
Margin* increase toward 27%

■ CropScience

Fx adj. growth of >5%
Margin* increase to approx. 24% (upgraded)

■ MaterialScience

Higher volumes and good, value-creating earnings level, but below 2007.
Q2'08 underlying EBITDA close to Q1'08 level.

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... and beyond

■ Group

>22% margin* by 2009

■ HealthCare

~28% margin* by 2009

■ CropScience

~25% margin* by 2009

■ MaterialScience

Attractive premium over capital and asset reproduction costs even in difficult market environment. Margin* in excess of 18% under favorable economic conditions.

* Underlying EBITDA margin



■ Calendar & Contacts

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Calendar of Events



Date	Event	Publication
Wednesday, July 30, 2008	Investor Conference Call	Second Quarter Results Stockholders' Newsletter
Wednesday, October 29, 2008	Investor Conference Call	Third Quarter Results Stockholders' Newsletter
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	

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