



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.



- Upward trend continued unabated
- Strategic investment focus is on HealthCare
- New growth opportunities in all businesses
- Optimistic about future developments

Bayer's Transformation – A Period of Significant Progress



| In € | 2002 | 2007 |
|----------------|--------|--------|
| Sales | 29.6bn | 32.4bn |
| EBIT* | 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



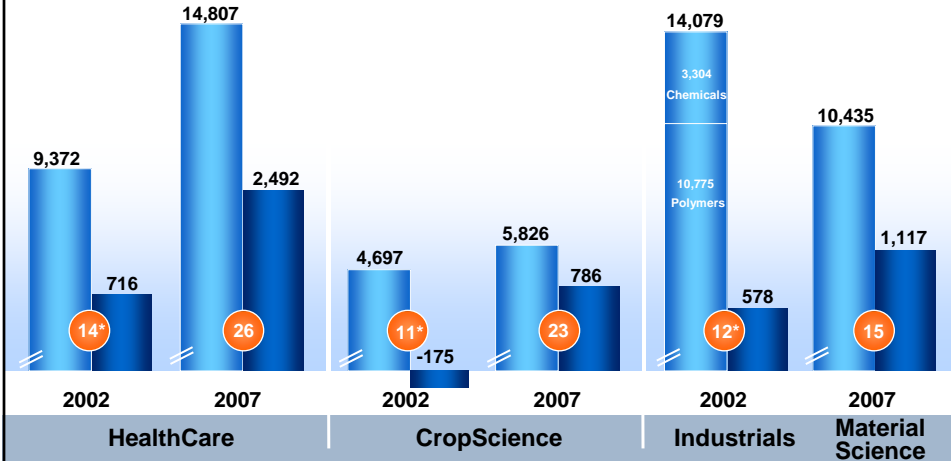
*pre exceptional items

Improved Portfolio and Higher Margins in All Businesses



In € million

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



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Q1 '2008 – Upward Trend Unabated

21st Consecutive Quarter with YOY Improvement

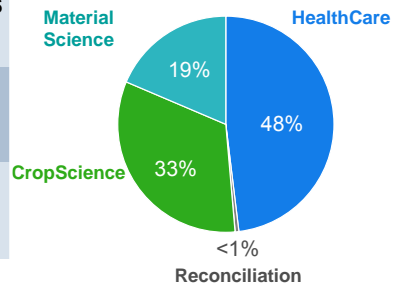


Key Figures

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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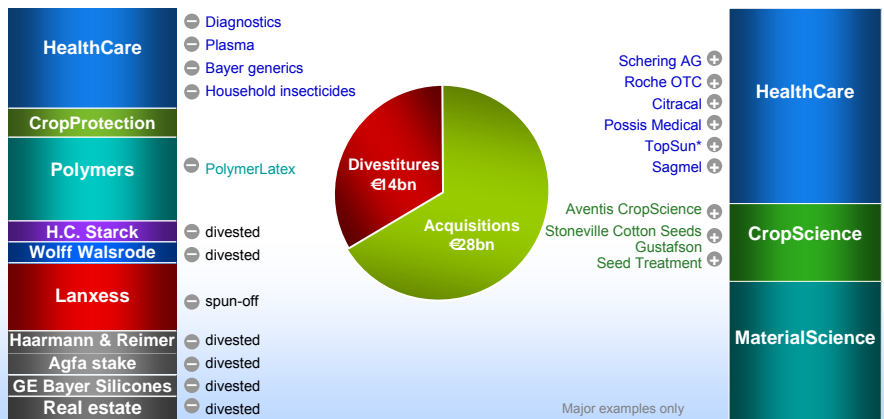
■ Strategic investment focus is on HealthCare

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



2001 Sales €30.3bn

2007 Sales €32.4bn

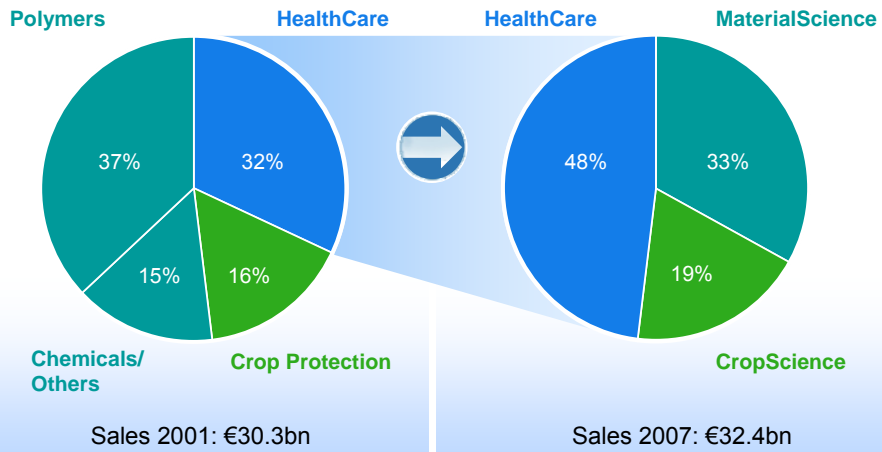


Headcount 116,900

Transaction volume

Headcount 106,200

Portfolio Balance Clearly Shifted Towards HealthCare



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Bayer's Strategic Investment Focus Is on HealthCare



| Activity | Rationale | Examples |
|---------------------------------|--|--|
| Global Pharma / Consumer | Strengthen HealthCare | Schering Roche OTC |
| Product purchases / inlicensing | Round-up portfolio | Citracal Amikacin Inhaled Recothrom VEGF-Trap-Eye |
| 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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*pending



■ New growth opportunities in all businesses

Pharma Pipeline Promises Accelerated Growth after 2009



Launch

Nexavar

A franchise building opportunity

Xarelto

Potentially transformational

rThrombin

Approved for surgical hemostasis in US

Late-stage

VEGF Trap-Eye

Phase III in wet AMD underway

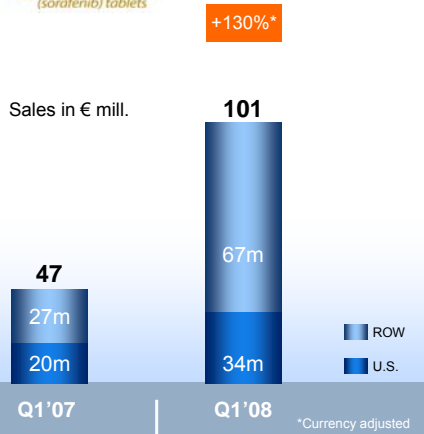
Alemtuzumab

Phase III in multiple sclerosis

sGC* Stimulator

Phase II in pulmonary hypertension,
expect start phase III in 2H 2008

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 vs. placebo | 2012 |

RECORD Program Completed – Superior Efficacy of Xarelto over Enoxaparin Demonstrated



| Study | | Duration of rivaroxaban therapy | Duration of enoxaparin therapy | Results |
|----------------|------------------|---------------------------------|---|---|
| RECORD1 | THR ¹ | 5 weeks, o.d. | 5 weeks, 40 mg o.d. | Superior Efficacy RRR ² 70% |
| RECORD2 | THR ¹ | 5 weeks, o.d. | 10-14 days, 40 mg o.d., followed by placebo | Superior Efficacy RRR ² 79% |
| RECORD3 | TKR ¹ | 10-14 days, o.d. | 10-14 days, 40 mg o.d. | Superior Efficacy RRR ² 49% |
| RECORD4 | TKR ¹ | 10-14 days, o.d. | 10-14 days, 30 mg bid | Superior Efficacy RRR ² 31% |

¹THR: Total Hip Replacement; TKR: Total Knee Replacement ²RRR: Relative Risk Reduction for primary efficacy outcome
o.d. = once daily; bid = twice daily

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Our Women's Healthcare Pipeline Contains a Plethora of Late Stage Projects



| Project | Indication | Status |
|-----------------------|-------------------------|-----------|
| Menostar transdermal | Menopause Management | Submitted |
| E2/LNG | Menopause Management | Submitted |
| DUB-OC (E2/DNG) | Female Contraception | Submitted |
| YAZ Dysmenorrhoea | Gynecological Therapies | Phase III |
| YAZ flex | Female Contraception | Phase III |
| Yasmin plus /Yaz plus | Female Contraception | Phase III |
| LCS (ULD LNG) | Female Contraception | Phase III |
| Visanne | Gynecological Therapies | Phase III |

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



| | | |
|---|---|--|
| Xarelto | Pooled analysis Record 1-3 Filing US Safety Update ATLAS-Results (ACS, PHII) | June 2008 (ICT, Athens) Mid 2008 Following US filing Late 2008 / early 2009 |
| Nexavar | HCC approval in China Results melanoma study (ECOG, PHIII) | Expected mid 2008 End of 2008 / early 2009 |
| 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 |

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HealthCare: Demonstrating Global Business Strength



| | 2007 | | Target |
|---------------|-----------------|--------|--|
| | adj.* growth | Market | |
| Pharma | +6% | + 6% | ▶ Market growth 2008/2009 Accelerate thereafter |
| Consumer Care | +8% | 4% | ▶ 2 percentage points above market |
| Diabetes Care | +18% | 6% | ▶ 2 – 3 percentage points above market |
| Animal Health | +11% | 4% | ▶ 2 percentage points above market |

*portfolio and currency adjusted

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CropScience: Convincing Performance in Booming Markets



Attractive Market Environment

- Prices for key crop commodities expected to remain high
- Strong incentive to invest in yield increase / crop protection



Strong Player in Agrochemicals

- Leading market position in all segments
- Best-in-class pipeline



Growing Seeds & Traits Business

- Strong positions in core crops (cotton, canola, rice, vegetables)
- Cooperation agreements to access corn and soy markets



Strong start into 2008

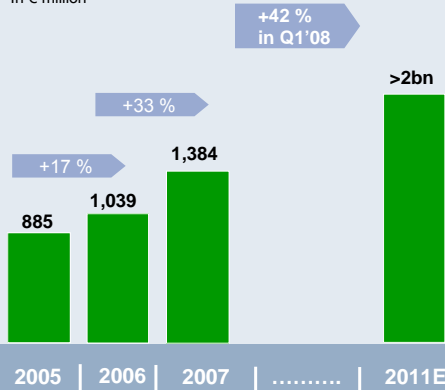
- Crop Protection growing at 18% (Fx adj.)
- Strong bottom line momentum – underlying EBITDA +22%

CropScience Investing > €650m p.a. in R&D Driving Top-Line and Mix Improvements

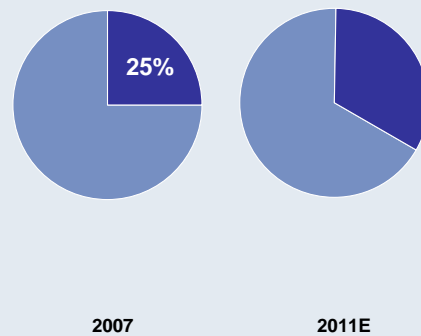


Sales of new a.i.s

In € million



Share of new a.i.s in agchem sales



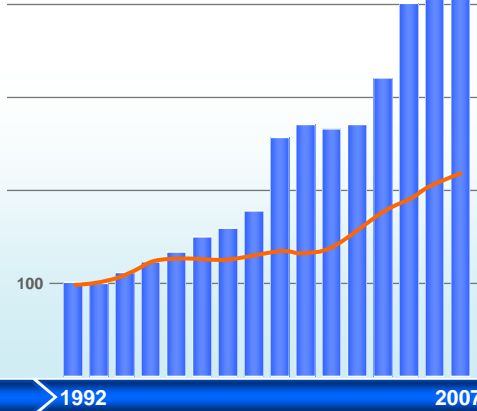
Agchem sales: include Crop Protection and Environmental Science, exclude BioScience business
* Crop Protection only: 28.5 % in FY07

MaterialScience: Major Products Outpace GDP Growth



+10% CAGR Major product sales growth
Polyurethanes and Polycarbonates

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



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

1992

2007

Future growth drivers

Expected Supply-Demand Balance in Major MaterialScience Markets



| | PCS | MDI | TDI |
|--|------------|-----------|-----------|
| Bayer market share 2007 (by volume) | 30% | 25% | 24% |
| Market position | #1 | #1 | #2 |
| Market capacities 2007 | 3,900 kt | 4,300 kt | 2,000 kt |
| Expected average long-term demand growth (by volume) | ~6-8% p.a. | ~6% p.a. | ~4% p.a. |
| 2008 expected global capacity growth | +10% y-o-y | +9% y-o-y | +3% y-o-y |

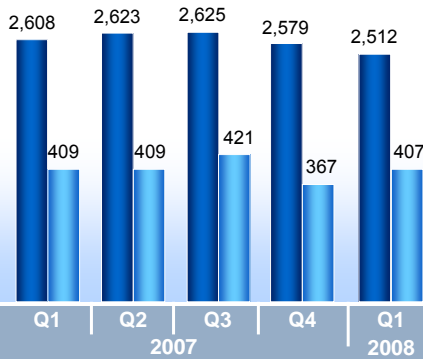
All estimates are Bayer estimates as of Q1'08
Capacity data refer to nameplate capacities

MaterialScience Demonstrates Resilience in Challenging Markets



in € millions

■ Sales
■ Underlying EBITDA

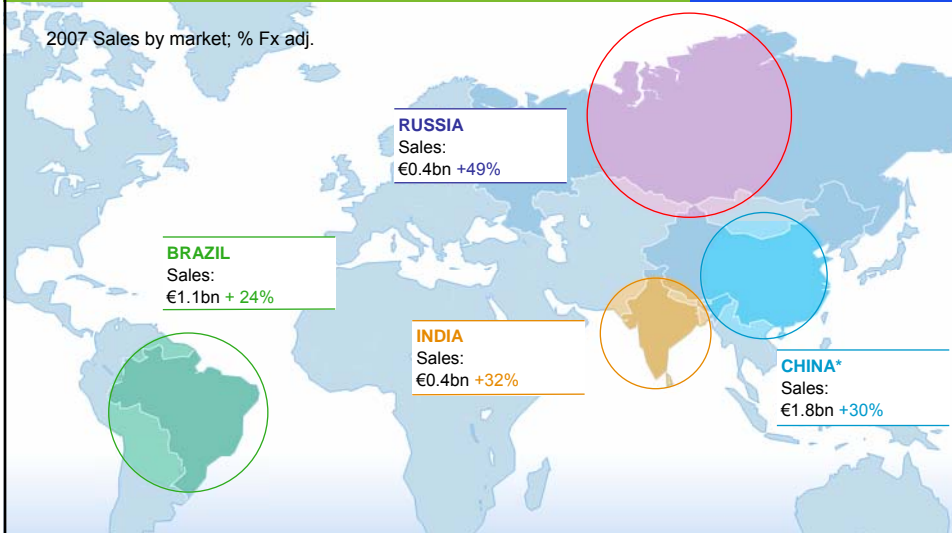


- All financial targets achieved
- Significant premium over cost of capital earned
- Q2'08 underlying EBITDA expected close to Q1'08
- €300m restructuring and savings program well underway

BRIC Countries Accounted for 11 Percent of Sales but almost one Quarter of Growth



2007 Sales by market: % Fx adj.



Within only a Couple of Years China has Become our 3rd Biggest Market



Business well positioned

- 2nd largest Healthcare business 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 (pending) – acquisition of domestic OTC business
- Infrastructure investments incl. marketing & sales to now >6,500 employees



- 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 towards 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.

... 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.

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



- Active portfolio management: transaction volume €42bn
- Strategic investment focus lies in HealthCare: €20bn to grow the business to almost 50% of group sales
- Increased underlying EBIT from €800m to €4.3bn
- Delivered on commitments and achieved financial targets
- Total shareholder return* 31 percent p.a. (Dec 31, 2002 – Dec 31, 2007)
- Intend to pay-out 30 – 40% of Core EPS as dividend
- 2008 outlook targets further growth, strong cash generation and higher margins

*Performance of Bayer stock assuming reinvestment of dividends

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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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

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