



Science For A Better Life

HealthCare

Bayer HealthCare Investor Day 2007

June 18-19, 2007 | Leverkusen



Bayer HealthCare Investor Day 2007 Building on Our Success

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- Successful strategy confirmed
- Schering integration proceeding faster than planned, creating more synergies than anticipated
- R&D pipeline consolidated and quality of R&D portfolio improved
- Exciting new data on Nexavar and Rivaroxaban confirm their potential
- Value of Consumer Health business demonstrated
- 2007 guidance and 2009 targets raised

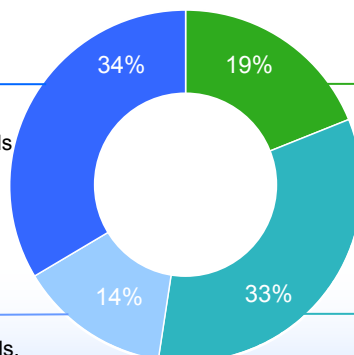
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The New Bayer – A Leader in its Markets



Pharmaceuticals

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



CropScience

€5.7bn agrochemicals and seeds business,
global # 1 in agrochemicals

Consumer Health

€4.2bn OTC pharmaceuticals, blood glucose meters and veterinary medicines,
global # 2-4

Material Science

€10.2bn polyurethanes and polycarbonate business,
global # 1

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

Break-down excluding reconciliation sales

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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

Driving the HealthCare focus

- 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

- Value of pharmaceutical pipeline significantly increased
- €1bn sales target for new CropScience products achieved
- Material Science business expanded into China

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We Confirm our Successful Strategy and Raise our Financial Targets



Group underlying EBITDA margin targets

2007



Exceeding 20% (previously "slightly increase 19.3%")

2009








Exceeding 22% (previously "approx. 22%")

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HealthCare Profitability Targets Raised Again



-  Grow pharmaceutical business in line with market between 2007 and 2009 at 5–6 percent p.a. and accelerate thereafter
-  Lead growth in Consumer Health and outperform market growth (expected 3–4%) by 2 percentage points
-  Steadily improve profitability and achieve
 -  in 2007 an underlying EBITDA margin of 25% (previously "toward 24%")
 -  in 2009 an underlying EBITDA margin of around 28% (previously 27%)

Aspire to further improve profitability longer-term

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We Remain Committed to Investing Significantly in Our HealthCare Business



- Pharmaceutical R&D in 2007 and 2008 planned to be approx. 15% of sales, increasing to 15–17% by 2009, reflecting the strengthening of our pipeline
- CapEx budget steady at about €400m p.a. through 2009
- Investments in marketing and sales in line with performance targets
- Aiming to complement pipeline and product portfolio through inlicensing, acquisitions and cooperations
- Remain committed to further strengthening our HealthCare business, focusing on specialty pharma and consumer OTC, also through external growth

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Bayer HealthCare



Successful R&D strategy in place

Key pipeline assets with the potential to transform the business

Global leader in specialty pharmaceuticals and Consumer Health

Strong products with leading positions in specialty segments

Leading growth in Consumer Health

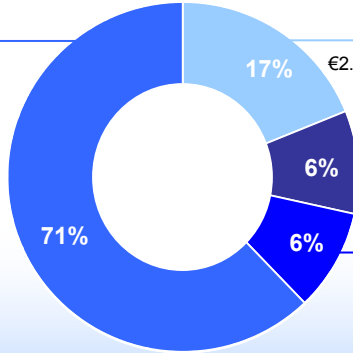
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Global Leader in Specialty Pharmaceuticals and Consumer Health



Pharmaceuticals

€10.2bn (pro forma)
Rx specialty pharmaceuticals,
6 with leading positions in key therapeutic categories



Consumer Care

€2.5bn OTC pharmaceuticals; # 2 with some of the world's most recognized brands

Diabetes Care

€800m blood glucose meters
3-4 with new and improved products

Animal Health

€900m veterinary medicines
4 leading growth and profitability

**HealthCare €14.5bn
2006 pro-forma sales**

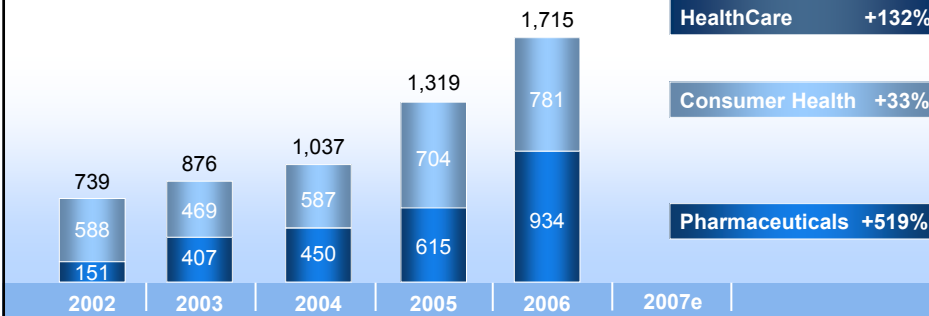
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Substantial Improvement in Profitability in both Pharma and Consumer Health Businesses



EBIT underlying** in € millions

Δ% vs. 2002



HealthCare +132%

Consumer Health +33%

Pharmaceuticals +519%

14.1*

14.0

18.3

18.6

22.3

25.0

EBITDA-margin underlying**

* reported

** as reported in respective year

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All Businesses Outperformed Their Markets in Fiscal 2006



	2006 Sales	Δ %yoy*	2006 market growth	Bayer growth vs. market
Pharmaceuticals (pro-forma)	10.2bn	10%	7%	+ 3pp
Animal Health	0.9bn	6%	4%	+ 2pp
Consumer Care	2.5bn	8%	4%	+ 4pp
Diabetes Care	0.8bn	13%	6%	+ 7pp
Total HealthCare	11.7bn	10%	6%	+ 4pp

*currency and portfolio adjusted

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Business Performance Driven by Brands with Leading Positions in Growth Segments



Key growth drivers	Market position	2006 Sales	Δ y-o-y
BETA FERON	# 3 interferon in MS	991	+ 14 %
Yasmin	# 1 oral contraceptive	794	+ 36 %
Ascensia	# 3 blood glucose meter	788	+ 12 %
KOGENATE Bayer	# 2 recombinant FVIII	787	+ 19%
Avelox	# 3 fluoroquinolone	396	+ 9%
LEVITRA	# 3 erectile dysfunction	314	+ 21%
Mirena	# 1 long-acting hormonal contraceptive	301	+ 24%
Advantage	# 2 pet parasiticide	275	+ 10%
Aleve	# 3 U.S. analgesic	227	+ 28%
Nexavar	1st approved targeted therapy in RCC	130	•

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Our Pharma Pipeline Has the Potential to Transform the Business



Project	Indication	Estimated launch	Peak sales potential (in €m)
Nexavar	Renal Cell Cancer	Launched	} 500
	Hepatocellular Cancer	Filing June 2007	
	Melanoma	> 2008	
	Non-Small Cell Lung Cancer	2009	>750
	Breast Cancer	2013	>750
Rivaroxaban	VTE Prevention	2009	} >2,000
	DVT Treatment	2011	
	Stroke Prevention in AFIB	2011	
	Acute Coronary Syndrome	2013	
Betaseron incl. Life Cycle Mgmt.	Multiple Sclerosis incl. BENEFIT incl. BEYOND	Launched 2008	>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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HealthCare Strategy – Building Momentum



- Successfully integrate Schering and build a world-leading specialty pharmaceutical business
- Fully exploit commercial potential of leadership positions of key products and brands
- Maximize value of key pipeline assets, especially Nexavar and Rivaroxaban
- Increase return on R&D investments through improved productivity, higher quality and focus on fewer therapeutic research areas and asset
- Further invest in our high growth Consumer Health business
- Pursue external growth opportunities to complement pipeline and portfolio and to strengthen HealthCare overall

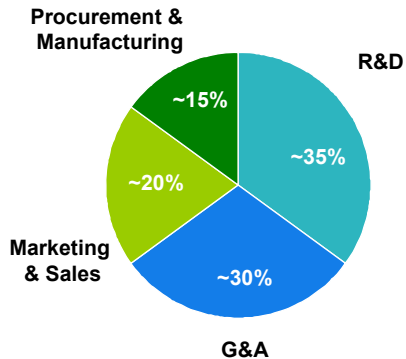
Build on the successful growth momentum and achieve an underlying EBITDA margin of around 28 percent by 2009

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Integration of Schering is Running Faster Than Planned and Creating More Synergies than Anticipated



Savings by function



- Synergy target raised from originally €700m to >€800m primarily from R&D and G&A
- Synergy target increased for 2007 from €250+ to approx. €300m
- 80% expected to be realized by year-end 2008
- Net integration costs* of approx. €1bn** assumed

* excluding work-down of step up of inventories and impact of purchase price allocation

** 2006: €179m, Q1 2007: € 119m, 2007e: € 650–700m

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Decided on Future R&D Strategy, Assets, Focus Areas and Sites



- Will focus on 4 therapeutic areas including Cardiology, Oncology, Women's HealthCare and Diagnostic Imaging with new perspective and targets
- Will locate global R&D organizations at three fully integrated sites in Berlin, Wuppertal and Berkeley
- R&D pipeline consolidated and quality of R&D portfolio improved
- Discontinued 20 R&D projects without strategic fit or of low quality as part of the pipeline assessment during integration
- Now expect R&D expenses to be 15% of sales in 2007 and 2008, increasing to 15–17% by 2009, reflecting the strengthening of our pipeline
- Will implement measures to further improve returns on R&D investments

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Improving R&D Efficiency and Maximizing the Value of Transformational Late-Stage Pipeline Assets



- Establish **Rivaroxaban** as an ideal anticoagulant with the potential to redefine the market
- Demonstrate **Nexavar**'s potential as pan-tumor drug and a building block of Bayer's global oncology franchise
- Create a new standard of care in multiple sclerosis with **Alemtuzumab**
- Transform hemophilia market by developing a **long-acting Kogenate**
- Establish a new paradigm in the treatment of age-related macular degeneration with **VEGF Trap-Eye**
- Progress **11 development projects into Phase III** clinical trials by 2009
- Deliver **10 innovative high quality pre-clinical drug candidates** per year by 2010

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Grow Key Brands Faster Than Market



Brand	Strategy	CAGR 07e-09e
BETAFERON <small>INTERFERON BETA-1b</small>	Profile brand as most efficient 1st line treatment for MS	+ 7-9%
Yasmin Family	World-class life cycle opportunities to drive future growth	>10%
Mirena	Profile brand as # 1 long-acting contraceptive	+ 8-10%
Anetig	Exploit growth opportunities in menopause management	•
KOGENATE Bayer	Exploit life cycle management opportunities and gain market share	+ 8-10%
Avelox	Further expand indications beyond RTI	≥10%
LEVITRA <small>(VARDENAFIL HCL)</small>	Continue to gain share and exploit life cycle opportunities	≥10%
Nexavar <small>(sorafenibi tablets)</small>	Expand reach beyond RCC and HCC*	•
Diagnostic Imaging	Address the growing demand for improved diagnosis in oncology, CV and neurology	+ 5-7%

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*subject to approval

Leading Growth in Consumer Health



Consumer Care

- Capitalize on consistent market growth outperformance
- Growth through building strong brands
- Growth through innovation
- Switching opportunities – U.S. OTC Pravachol rights
- Expansion into high growth regions



Target
2%pts. above market growth expected at 3–4%

Diabetes Care

- Turnaround strategy resulting in market leading growth
- Investing in brand-building, entering new markets
- Shortening life cycles: >75% of products younger than 3 years by 2009
- Pursuing partner of choice approach



Target
2–3%pts. above market growth expected at 6–7%

Animal Health

- Build on benchmark performance
- Excellent life cycle opportunities including new innovative formulations
- Rich pipeline – target is to generate 25% of sales with new products by 2010



Target
2%pts. above market growth expected at 3–4%

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Bayer HealthCare – Ambitious Targets, Clear Strategy, Focused on Execution



Successful R&D strategy in place

Andreas Busch

Key pipeline assets with the potential to transform the business

Kemal Malik

Global leader in specialty pharmaceuticals and consumer health

Strong products with leading positions in specialty segments

*Gunnar Riemann
Ulrich Köstlin*

Leading growth in Consumer Health

*Gary Balkema
Sandra Peterson
Lykele van der Broek*

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