



Bayer HealthCare



Bayer HealthCare Investor Day 2007

Bayer Animal Health – A Top Player in an Attractive Market

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Forward Looking Statements



This presentation contains forward-looking statements based on current assumptions and forecasts made by Bayer Group 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 our public reports filed with the Frankfurt Stock Exchange and with the U.S. Securities and Exchange Commission (including our Form 20-F). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

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Key Messages



- Animal Health is top player with benchmark profitability
- Track record of success of both sales and profit growth
- Growth through development of innovative products, successful life cycle management and licensing and acquisitions
- Well positioned for future growth in a very attractive market with excellent profitability levels

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Main Market Segments



Companion Animal Products (CAP)



CAP

Emotional & human relationship

- Wellbeing of the companion animal
- Quality of life for companion and owner

Disease transmission

- Protection & safety for the pet owner

Growth driven by socio-economics in North America, Europe and emerging markets

Food Animal Products (FAP)



FAP

Industry & commerce

- Wellbeing of animals
- Cost-benefit, profitability
- Consumer concerns

Environmental awareness

- Protection and safety
- Public concern

Growth driven by increasing demand for safe food

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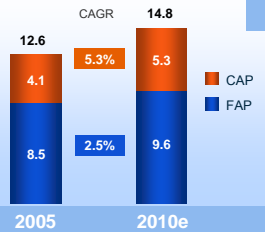
Companion Animal Product Segment Driving Market Growth



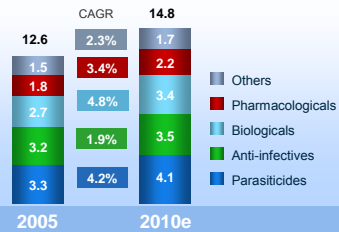
AH Market* by Business Unit

AH Market* by Segment

In € billion



CAGR 2005 – 2010
AH Total: 3.4%



- The Animal Health market has a volume of ~ € 13 billion
- The Companion Animal Products market is expected to grow faster than the total market
- The Food Animal Products market is expected to grow due to higher demand for safe food

Very attractive growth and margin prospects in both business units

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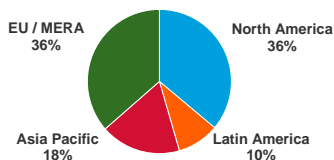
* AH Market: Pharmaceutical AH Products (excl. Nutrition)

Well Balanced Regional Business Strength

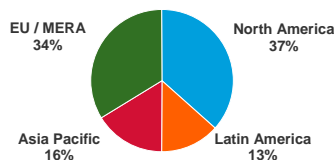


Regional Sales 2006

Total Market – €12.8bn



Bayer – €905m



- APAC and LA expected to grow faster than developed markets in NA and EU
- Excellent geographic presence and development
 - Product sales in more than 120 countries
- Regional focus on targeted marketing & sales
- Attractive partner for in-licensing, co-operations and partnerships

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A Leading Position in the Animal Health Market



2006 Global Company Sales Ranking

	Company	AH Sales in €m
1	ScheringPlough/Intervet*	1,850
2	Pfizer	1,841
3	Merial	1,748
4	Bayer Animal Health	905
5	Novartis	749
6	Fort Dodge	746
7	Elanco	697
8	Virbac	401
9	Boehringer	371
10	CEVA	314

Bayer Animal Health Position

- Consistently outpaced market growth
- Ranked #3 in CAP (12% market share)
 - Well positioned in fast growing and profitable market segment
 - 20% market share in parasiticides
- Ranked #5 in FAP (5% market share)
 - Strong position in parasiticides and quinolone anti-infectives

Source: Company reports, Bayer estimates
* Pro-forma 1+1 assumption

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Demonstrating Top-Line Momentum and Benchmark Profitability



- Bayer Animal Health has outpaced the market – in total and in each region - in each of the last couple of years:
 - CAGR 2002-2006 Market 4%
 - CAGR 2002-2006 Bayer 6%*
- We target to outpace Animal Health market growth also in the future
- Bayer Animal Health shows industry leading profitability

* Currency and portfolio adjusted

Sustained above-market growth and profitability

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Vision and Strategic Focus



- Our goal is to be a world-wide leading company for the food animal products (FAP) and companion animal products (CAP) market and we strive to be the preferred partner and provider of veterinary solutions.
 - Expand core franchises of anti-infectives and parasiticides and build portfolio for growing segment of non-infectious diseases in CAP
 - Focus on attractive markets with core product lines in segments of parasiticides and anti-infectives in FAP
- Maintain industry leading profitability

A world leading AH company with benchmark profitability

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Strategy for Growth



Investment in R&D (~8% of sales)

- In-house research cooperations with the Pharmaceuticals division and Bayer CropScience
- External R&D partnerships, developing in-licensed molecules
- Strong expertise in formulation technology
- Innovation based on life cycle management

Markets

- Regional & local in-licensing and cooperations
- Maximize our brands
- Acquisitions

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Innovative Formulations: Profender



Profender



“Best new Veterinary Products – Companion Animal” Award 2006

- First new active ingredient in CAP endoparasiticides segment in 21st century
- Innovative formulation
 - Spot-on technology for deworming cats
 - Convenient application
- Sales growth 2006: +270%

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Main Areas of R&D



New formulations

Innovative application systems to improve:

- Convenience
- Efficacy
- Safety

Parasiticides

- Ecto-parasiticides
- Endo-parasiticides
- Ectecto-parasiticides

Antimicrobials

- Antibiotics (Quinolones)
- Others

Non-infectious diseases

Products against:






- Pain
- Renal failure
- Heart failure
- Cancer

R&D

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Pipeline Potential to Fuel Further Growth



		Peak sales potential	Expected launch
Ectoparasiticides CAP		more than €100m	mid-term
Non-Infectious diseases CAP		€50-100m	mid- to long term
Endoparasiticides CAP		up to €50m	mid-term
Anti-Infectives CAP		up to €50m	mid- to long term
Anti-Infectives + Parasiticides FAP		€50-100m	mid- to long term

Time frame: mid-term before until 2010
long-term beyond 2010

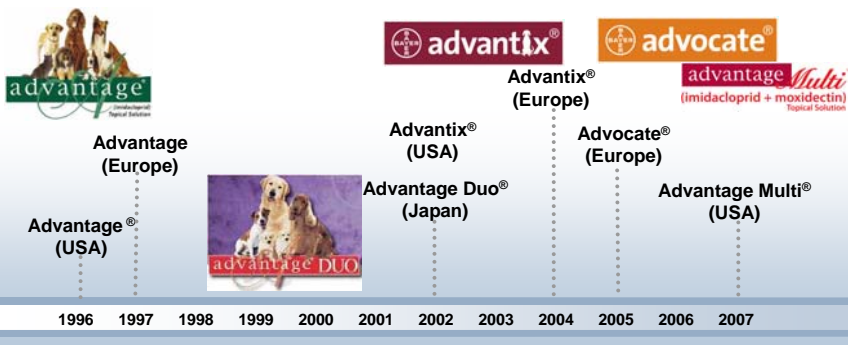
Sales share from new products (≤ 5 years) planned to be ~25% by 2010

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Successful Life Cycle Management of Advantage Family



Major launches of Advantage family



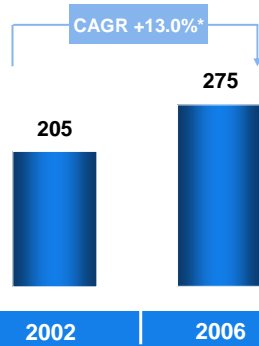
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Successful Life Cycle Management of Advantage Family



Advantage family sales growth

Sales in €m



* Currency adjusted

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- Advantage Family
 - Advantage
 - Advantix
 - Advocate/Advantage Multi
 - Advantage Heart
 - Advantage Duo
- Based on active ingredient from research cooperation with Bayer CropScience
- Record sales of € 275 million in 2006
- Further launches planned for next years with growth perspective

Animal Health: Summary and Outlook



World leading AH company with above-market profitability and growth

- Grow above market through development of innovative products
- Focus on profitable segments in CAP and FAP (parasiticides, anti-infectives, non-infectious diseases)
- Utilize organic and external growth options to maximize market position
- Maintain industry benchmark profitability while growing the business by 5–6% mid-term CAGR



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