



Bayer HealthCare



Bayer HealthCare Investor Day 2007

**Successful Turnaround of the Diabetes Care Business
Achieved – Committed to Continued Outperformance**

Sandra Peterson
President, Diabetes Care
Bayer HealthCare

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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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Bayer HealthCare Diabetes Care



helps improve the lives of people with diabetes...daily.

Outperforming the market in one of the most attractive health care market segments

Unique opportunity to outgrow market:

- Investing in building brands and entering new markets
- Innovating and leveraging heritage of "firsts" in category
- Pursuing partner-of-choice approach enabling flexibility and high capital efficiency

Committed to leading in diabetes diagnosis, management and monitoring on a global basis

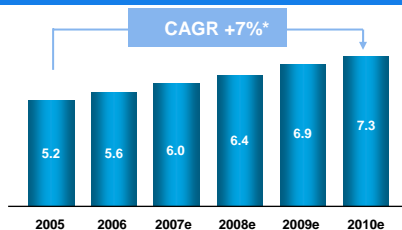
Providing an unrivalled array of products and services addressing the global diagnostic, management and monitoring needs of people with diabetes

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Operating in a Very Attractive, Growing Market



Fundamentals of blood glucose monitoring market are strong...



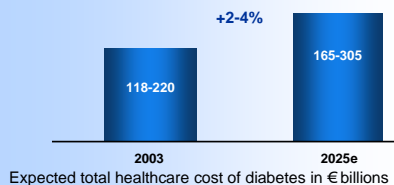
Total strip and meter revenues in € billions

Drivers

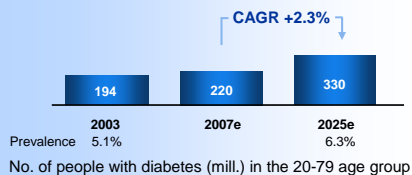
*2011-2015e market CAGR -6%

- Global growth of underlying disease prevalence
- High profitability (i.e. 60-70% gross margin)
- Still limited market penetration (world-wide under-diagnosis of diabetes patients)
- Bayer one of four entrenched global players
- Some IP, technology and scale barriers to entry

...and overall diabetes market continues to grow



...Global prevalence continues to increase

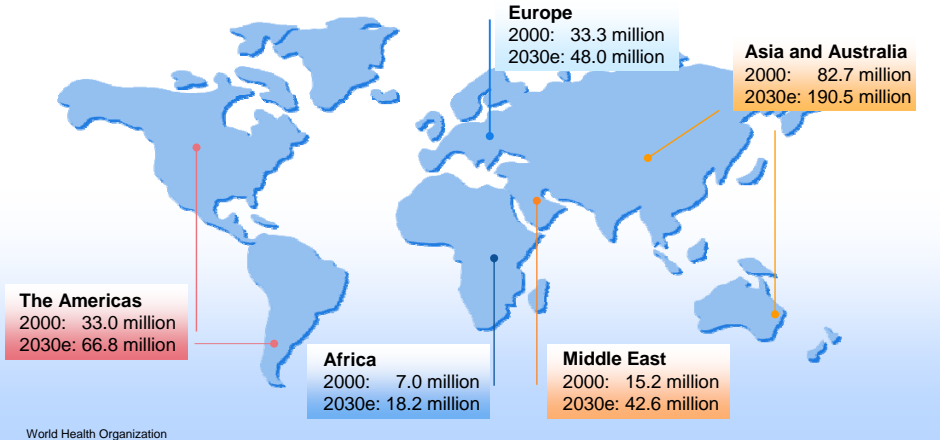


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Demographics and Disease Prevalence Are Driving Demand



Diabetes continues to grow worldwide – 380 million diabetics by 2030e



World Health Organization

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Two Years Ago Bayer Decided to Turn Around the Diabetes Care Business by ...



... aggressively refocusing and investing in the business

- Shortening product life cycles and driving innovation
- Optimizing commercial execution through realignment of marketing and sales
- Improving COGS and SG&A cost basis by restructuring and re-staffing on a global basis
- Entering critical high growth markets

Our investments are paying off today

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Global Business Strength



Global company sales ranking

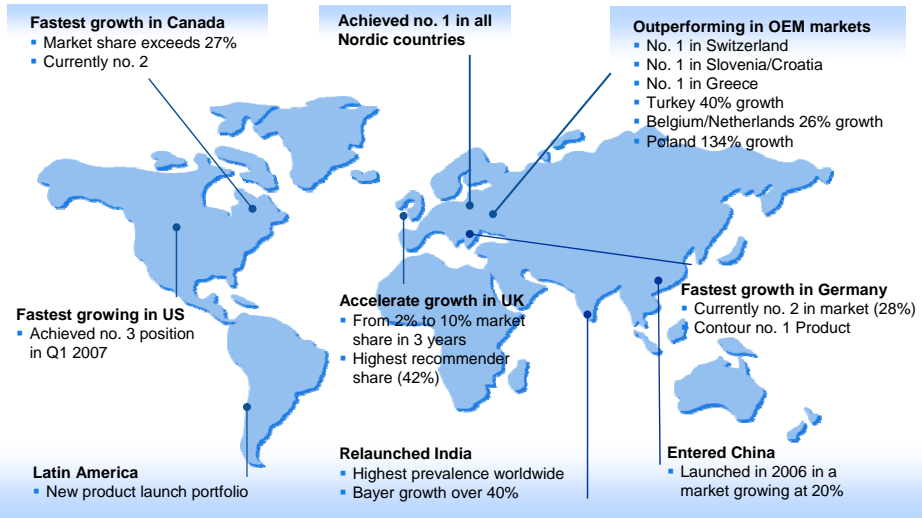
Company	2006 <i>(in € million)</i>	Q1 2007 <i>(in € million)</i>
1 Roche	1,832	467
2 J&J/Lifescan	1,537	402
3 Bayer Diabetes Care	810	226
4 Abbott Diabetes Care	874	218
5 Arkray	157	40
6 Menarini	115	30
7 Home Diagnostics	90	21
8 Becton Dickinson	77	17

- Five consecutive quarters of above market revenue growth (9 in international markets)
- Bayer surpassed Abbott as #3 in Q1 2007
- Portfolio expansion with Metrika acquisition and new product launches
- Geographic expansion/investment in key emerging high growth markets
 - India
 - China
 - Russia/CCEE
 - Latin America

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Source: Company reported, IMS, IRI, Bayer estimates

Improved Commercial Execution Drives Above-Market Growth



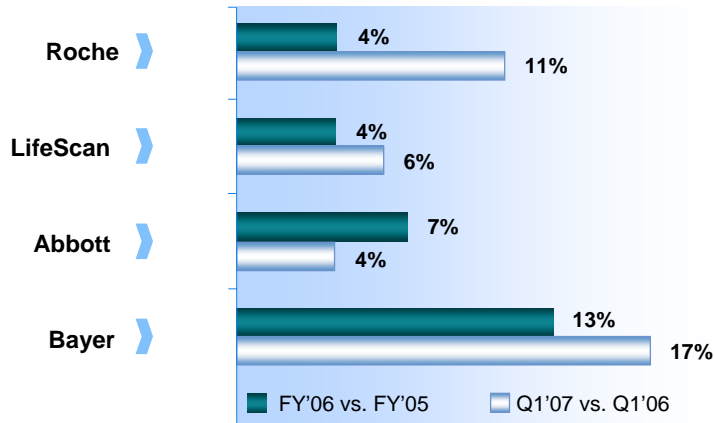
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Source: World Health Organization

Bayer is Outperforming the Competition Globally



Worldwide blood glucose monitoring sales growth



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Source: Boston Biomedical Consultants, Bayer Diabetes Care

Growing Recognition by Third Parties Shows we are Taking Back Leadership



- **Vendor of the year** - CVS
- **Customer service award** - Wal-Mart
- **Account Manager of the Year** - Cardinal Health

- **Partnership with Steve Covey**
7 Habits to successfully managing diabetes

- **Arthritis Foundation endorsement** - Only Meter

- **Fastest growing third party reimbursement in managed care**

- **Contour has strongest growing brand worldwide**
Top-rated by "Stiftung Warentest"
...German 'Consumer Reports'
Contour took #1 position in Germany

- **2007 Editor's recommendation award** –
Health Times of the People's Daily in China



STEPHEN R COVEY



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Refreshing the Product Portfolio in 2007 and Beyond



New Contour

- 5 second test time
- 0.6 µL sample volume with underfill detection
- Improved performance to Contour
 - Hematocrit correction from 0-70%
 - Improved temperature range 5°-45°C
 - No maltose interference
- Three button operation
- No coding
- 480-event reading memory
- Pre/post meal reading marking



Breeze 2

- Results in 5 seconds with BREEZE 2 reagent
- 1 µL sample volume with BREEZE 2 reagent
- No coding
- New industrial design
- 420 memory with date & time
- Auto-detects 10 test reagent disc type
- Arthritis Foundation endorsement for ease of use



Contour TS

- 8 second test time
- 0.6 µL sample volume with underfill detection
- No coding
- Equivalent performance to Contour
 - Hematocrit correction from 0-70%
 - Improved temperature range 5°-45°C
 - No maltose interference
- Two button operation
- 250-event reading memory



A1cNOW+

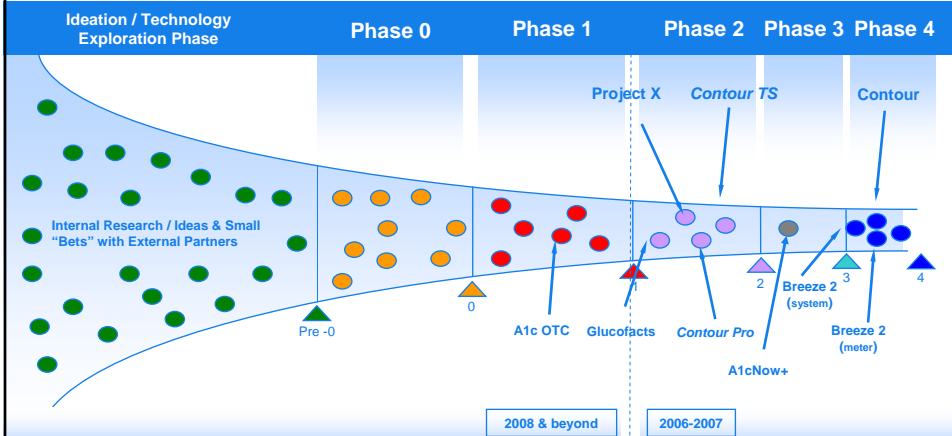
Only device for home and professional use

- Long-term test
- Disposable device
- No maintenance or calibration
- No strips or capital equipment
- 98% accurate – 25 internal quality checks



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Pipeline of Innovation Beyond 2007



Shortening life cycles: revenue share of products younger than 3 years was 30% in 2005, expected to grow to 75–85% by 2009e

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Executing a Partner-of-Choice Strategy to Gain Access to Products, Markets and New Customers



Product/ Technology Partners

- Lower risk and capital deployment to achieve access to most competitive technologies
- OEM/Contract manufacturing (e.g. Benchmark)
- Strategic R&D and sourcing (e.g. Matsushita/Panasonic)
- Place bets and participate in broader range of emerging technologies with lower risk

Marketing/ Channel Access Partners

- Relationships to drive access to heavy testers & insulin users
- Collaborating to drive awareness and reinforce positioning with more valuable customers
- Partnering with numerous pharmaco to gain access to heavy writers and testers (blood glucose monitoring & A1c measurement)

New markets/ Adjacency Partners

- Gain access to complementary/ adjacent markets
- Exploiting BHC synergies to reach diabetics and improve infrastructure/commercial efficiencies (e.g., Glucobay; vitamins; Cardio Aspirin; dermatology)

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Diabetes Care – Proven Record of Success, Investing in the Future



- Outperforming the market in one of the most attractive health care market segments
- Have unique opportunity to outgrow market
 - Investing in building brands and entering new markets
 - Innovating and leveraging heritage of “firsts” in category
 - Pursuing partner of choice approach enabling flexibility and high capital efficiency
- Committed to leading in diabetes diagnosis, management and monitoring on a global basis
 - Expect market growth to continue globally at 6–7% and Bayer Diabetes Care growth at 8–10%



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