Bayer HealthCare

Bayer HealthCare Investor Day 2007

Addressing High Medical Needs, Building a Sustainable Pipeline to Ensure Future Growth (1)

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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.

Key Messages

- Our R&D strategy will leverage our learnings and focus on key assets, fast portfolio decisions and maximization of asset value
- Consolidation of the R&D pipeline completed – quality of R&D portfolio improved
- Exciting pipeline progress achieved – progress made with key assets with the potential to transform the business

Our R&D Strategy Addresses Key Factors for Success

1 … more focus:

4 therapeutic research areas with activities from target discovery up to launch

2 … higher productivity:

increase in development candidate output at decreased cost per NME

3 … better quality:

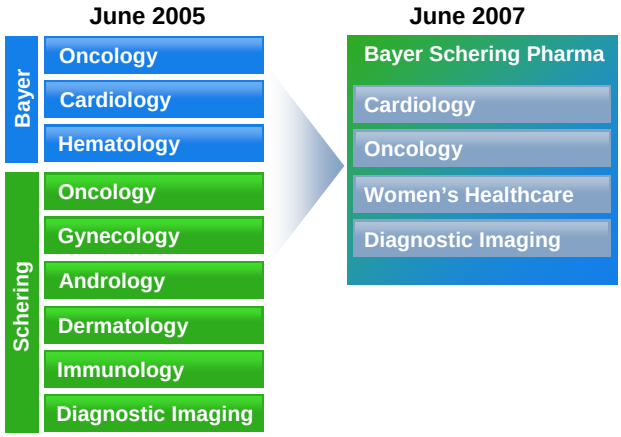
PoC concept and strict progression criteria in research

4 … value maximization:

common mechanism approach, prioritization across whole portfolio and flexible resource allocation

PoC: Proof of Concept
NME: New Molecular Entity

Focus on Four Therapeutic Research Areas

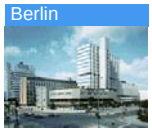
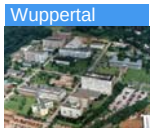
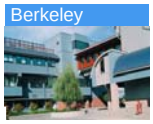


Focus based on

- Therapeutic research area assessment
- Competitive resources (internal & external)
- Synergies across therapeutic areas
- Business alignment: continued applied research and life cycle management in hemophilia, MS and dermatology

Leveraging our learnings in improving R&D efficiency

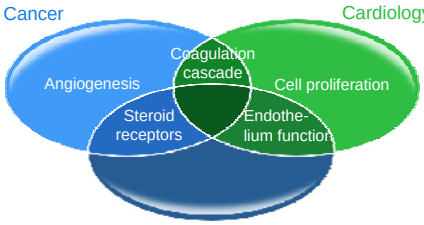
Fully Integrated R&D Sites Rather than Satellite Approach

	Therapeutic activities	Technology platform
Berlin 	■ Oncology ■ Women's Healthcare ■ Diagnostic Imaging	■ Lead generation and optimization ■ Preclinical development ■ Phase I in-house unit
Wuppertal 	■ Cardiology ■ Oncology	■ Lead generation and optimization ■ Preclinical development ■ Phase I in-house unit
Berkeley 	■ Applied research and life cycle management in hemophilia, MS and dermatology	■ Protein sciences

- **Co-localization of therapeutic areas and technology platforms according to expertise**
- **Therapeutic areas compete for technology platforms**

Leverage Common Mechanism Opportunities Across and Beyond Bayer Core Areas

Common mechanism background

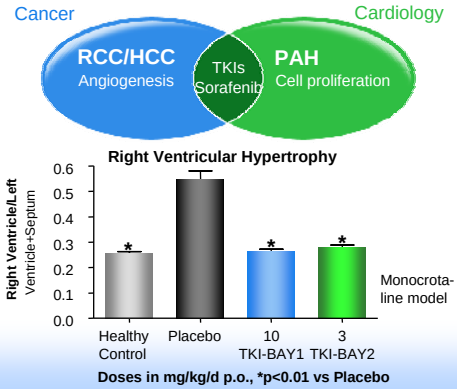


Leverage of common mechanisms provides:

- Value maximization
- Risk mitigation
- Drug repositioning opportunities

30% of research portfolio represent common mechanisms

Case study – Tyrosine Kinase Inhibitors (TKIs)



PoC study of TKI in PAH (Univ. of Chicago)

R&D Strategy Provides a Clear Perspective for our Therapeutic Areas

Short-term

- NME focus on cardiology, oncology and molecular imaging
- Refocus Women's Healthcare towards gynecological therapies
- Life cycle management and applied research in female fertility control, contrast media, and for hemophilia and multiple sclerosis

Mid-term

- Additional NME output in gynecological therapies

Long-term

- Recognized innovation leader in cardiology, gynecological therapies and molecular imaging
- Delivery of significant innovation in oncology

Consolidation of the Combined R&D Pipeline Completed

	Number of projects			
	Phase 1	**Phase 2**	**Phase 3**	**Reg.**
Combined Bayer/Schering pipeline as presented in June 2006	**13**	**16**	**21**	**4**
Deprioritizations / Phase-shifts out	9	8	11	4
New projects / Phase-shifts in	10	9	9	9
Pipeline as of June 2007	**14**	**17**	**19**	**9**

- Consolidated R&D pipeline focusing on quality and sustainability
- Deprioritization of R&D pipeline projects without strategic fit or of low quality
- 3 project launches accomplished: Nexavar RCC, YAZ, Vasovist
- Successful in-licensing of VEGF Trap-Eye and rThrombin

R&D Pipeline Decisions

Main deprioritized projects	**Indication**	**Decision**
PTK / ZK	Cancer	Outlicensing
Sargramostim	Crohn´s Disease	Termination
Asoprisnil	Benign Uterine Tumors	Outlicensing
Alfimeprase	PAO / CO	Deprioritization
Trasylol	Non-CABG Surgery	Termination
MS 275	Cancer	Outlicensing
Angiogenesis Inhibitor	Cancer	Outlicensing
Dual Acting Peptide	Diabetes	Outlicensing
CETP Inhibitor	Dyslipidemia	Outlicensing

- R&D portfolio prioritized across all therapeutic areas to ensure optimal resource allocation
- Decision making process based on technically and commercially evaluation
- Options to outlicense individual assets pursued
- Decision on TOCOSOL-Paclitaxel dependent on Phase III results (expected in Q3 2007)

Our R&D Pipeline Provides a Balanced Mix of NME and LCM Opportunities

As of June 2007	Phase I	Phase II	Phase III	Submitted
New Molecular Entities (NME)	HT / HF **sGC Stimulator**	A'fib / Stable Angina **Adenosine A1 Agonist**	VTE Prevention **Rivaroxaban**	CKD (J) **Fosrenol**
Life Cycle Management (LCM)	PH in COPD **Elastase Inhibitor**	Acute Heart Failure **sGC Activator**	SPAF **Rivaroxaban**	Bleeding control **rThrombin**
	Pancreatic Cancer **L19–Interleukin 2**	Pulmonary Hypertension **sGC Stimulator**	DVT Treatment **Rivaroxaban**	HCC **Nexavar**
	Cancer **L19-SIP**	ACS **Rivaroxaban**	Melanoma **Nexavar**	CLL 1st line **Campath**
	Cancer **L19-TNF**	RCC 1st / 3rd line **L19–Interleukin 2**	NSCLC **Nexavar**	VMS **Menostar transdermal**
	Cancer **DAST Inhibitor**	Breast Cancer **ZK-PRA**	Ind. / aggr. NHL 1st line **Zevalin**	HRT (J) **E2 / LNG**
	Menopausal Management **ERß Agonist**	Lung / Ovar / Breast / Prostate **Sagopilone (ZK-EPO)**	CLL 2nd line **Campath**	MRA **Magnevist MRA**
	Hypogonadism Treatment **eF-Ment**	wet AMD **VEGF Trap-Eye**	Bone Metast. Prevent. (Breast Ca.) **Bonefos**	MRI (US, J) **Primovist**
	Gastro IBD **Lipoxin**	Parkinson's Disease **Spheramine**	Dysmenhorrea (J) **YAZ**	PID / New Indications (EU) **Avelox**
	DME **VEGF Trap-Eye**	Liposomal Formulation **Kogenate**	Fertility Control **YAZ Flex**	
	Alzheimer PET Imaging **AV1/ZK**	Breast Cancer **Nexavar**	FC / Uterine Bleeding **DUB-OC (E2/DNG)**	
	ACS **Aspirin i.v.**	Additional Indications **Nexavar**	Menorrhagia **Mirena**	
	Fast Dissolving Tablet **Levitra**	Fertility Control **FC Patch Fidencia**	Menopausal Management **Angeliq low-low**	
	Lung Infection **Cipro Inhale**	Fertility Control **Valette low**	Endometriosis **Visanne**	
		Multiple Sclerosis **Alemtuzumab**	Fertility Control **Yasmin plus / YAZ plus**	
		MRI (USA,J) **Gadovist**	Fertility Control **LCS (ULD LNG)**	
		New Indications **Levitra**	MS Treatment **Betaferon high dose (BEYOND)**	
			CT **Ultravist 370**	
			New Indications (US) **Avelox**	

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An Emerging World-Class Cardiology Pipeline

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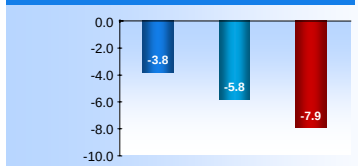
sGC Activator: Potential for Superior Efficacy in Acute Heart Failure

Background

- Direct activator of soluble Guanylate Cyclase (sGC) – project BAY 58-2667
- Lead Indication:
  Acute decompensated heart failure (ADHF) – could be first in class treatment
- PoC achieved:
  hemodynamic improvement and relief of symptoms in patients with ADHF demonstrated
- Next milestone:
  Phase IIb entry planned for 2H 2007
- Potential main differentiator to existing therapies:
  - Effective therapy, promising safety profile
  - Preservation of kidney function
- Peak sales potential € 500-750 million

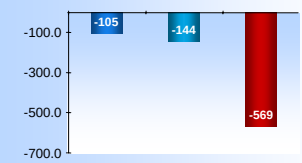
Key data

PCWP decrease vs. baseline* (mm Hg)



PCWP: Pulmonary Capillary Wedge Pressure

SVR decrease vs. baseline* (dyn*s*cm^{-5})



SVR: Systemic Vascular Resistance

Nitro vs. baseline | Nesiritide vs. baseline | BAY 58-2667 6 hour values vs. baseline

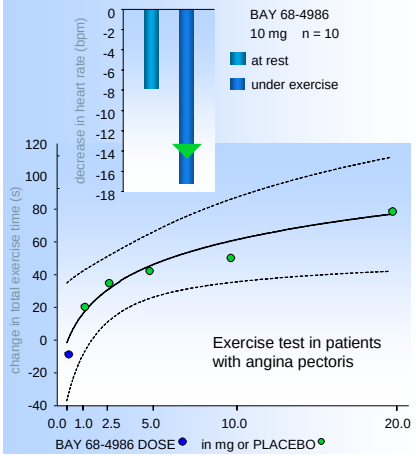
* Slides show historical comparison; not tested neither vs. Nitro nor vs. Nesiritide

Adenosine Agonist: Targeting Effective Treatment of Major CV Diseases

Background

- Selective Agonist for the adenosine A1 receptor – project BAY 68-4986
- Indications: Stable angina pectoris (lead indication), atrial fibrillation
- PoC achieved: Prevention of exercise induced tachycardia in patients with stable angina pectoris
- Differentiation potential: Decreases heart rate without pro-arrhythmic potential nor influence on blood pressure. The higher the heart rate increase the greater the effect – effective when needed!
- Next milestone: Phase IIb planned in 2008
- Peak sales potential € 500-750 million

Key data for stable angina



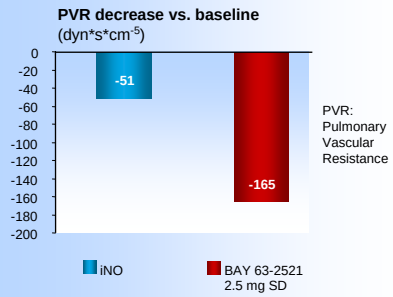
sGC Stimulator: Potential New Treatment Option in Pulmonary Hypertension

Background

- Stimulator of soluble Guanylate Cyclase (sGC) – project BAY 63-2521
- Lead Indications: Pulmonary arterial hypertension, chronic thromboembolic pulmonary hypertension, other indications
- PoC achieved: hemodynamic improvement in patients with pulmonary hypertension, anti-remodelling properties
- Differentiation potential: effective therapy with very good safety profile; no deterioration in perfusion mismatch; combination partner of choice for patients on pulmonary hypertension therapy
- Next milestone: Phase III planned for 2008
- Peak sales potential € 250-500 million

Key data

Acute administration in patients with pulmonary arterial hypertension



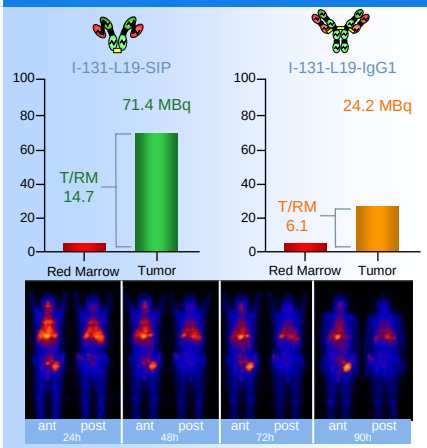
- Reduction of right atrial pressure
- Pre- and afterload reduction of left and right ventricle

L19-SIP (Small Immunoprotein): Solid Tumor Imaging and Radio-Immunotherapy

Background

- L19 antibody, in SIP format and labeled with 131Iodine ("131I-L19-SIP")
- Innovative MoA: tumor-tissue targeted radioactivity (new target ED-B fibronectin)
- Patient selection via dosimetry, followed by radio immunotherapy with the same compound at higher dose as potential entry into personalized cancer medicine
- Developed under an agreement with Philogen
- Next milestone: results of Phase II PoC study planned for 2008

Key data



Planar scan of tumor uptake in melanoma patient with metastatic lessions

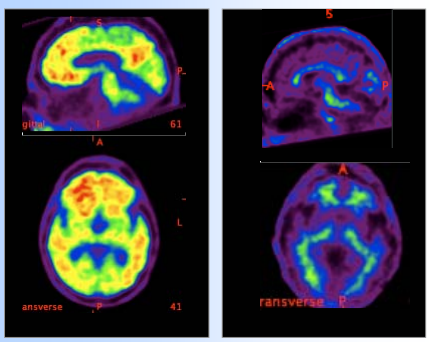
[^{18}F]AV1/ZK for Molecular Imaging in Alzheimer's Disease

Background

- Amyloid β is the key pathological hallmark of Alzheimer's Disease (AD)
- [^{18}F]AV1/ZK (BAY94-9172) is a Fluorine-18 labeled amyloid β binding stilbene suitable for PET imaging; in-licensed from Avid Radiopharmaceutical
- Images are diagnostic and allow discrimination between AD patients and healthy controls
- AV1/ZK has the potential to become the first commercial PET compound for amyloid imaging
- Next milestones: start of phase II in 2008

Key data

First clinical data in man:
12 AD & 12 HC (healthy control)



Mild AD patient

Healthy Control
(aged matched)

Early Pipeline Assets with Significant Progress

Preclinical → Phase 1	Phase 1 → Phase 2	PoC achieved in phase transition
sGC Stimulator (Phase 1) Hypertension / Biventricular HF	**Adenosine A1 Agonist** Stable Angina	**ZK-EPO** Cancer
Cipro Inhale Lung Infection	**Adenosine A1 Agonist** Atrial Fibrillation	**eF-Ment** Hypogonadism
L19-SIP Cancer	**sGC Activator** Acute Heart Failure	
ERß Agonist Menopausal Management	**sGC Stimulator (Phase 2)** Pulmonary Hypertension	
Lipoxin Gastro IBD	**L19-IL2** Cancer	
	Levitra New Indication	
	ZK-PRA Breast Cancer	
	Kogenate Liposomal Hemophilia A	

Proof-of-Concept (PoC) achieved

Summary and Milestones

- Smooth and efficient integration
  - New processes fully established
  - Global drug discovery organization finalized and implemented
- Compelling R&D strategy defined, full implementation in 2007
- We have delivered on our promises, are reporting exciting pipeline progress and developing a world-class CV pipeline
- Pipeline cleaned
- We plan to further increase productivity:
  - Deliver 10 innovative high-quality preclinical drug candidates per year by 2010
  - Transfer 3 NMEs into the clinic by the end of 2007
  - Deliver proof-of-concept results for 4 projects by the end of 2007