



Bayer

**The Transformation has begun**  
**1st Half 2002 Results**



# Safe Harbor

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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.



# Components of 1H Sales Trend

€ million

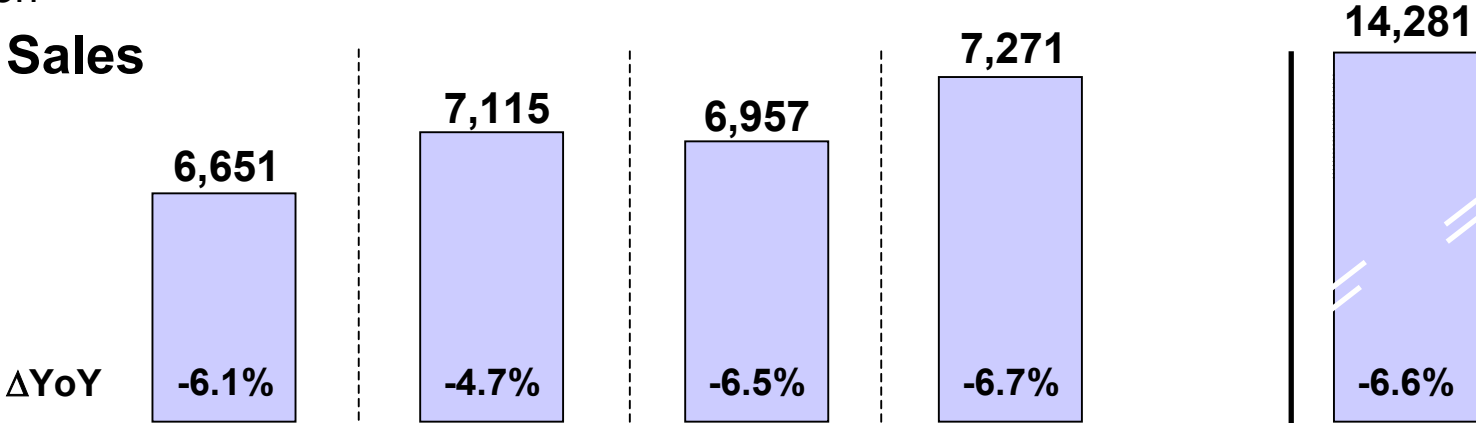
	2001	2002	Δ %	
Sales	15,972	14,737	- 7.7	
• Discontinuing	679	456		
• Continuing	15,293			
+ Acquisitions/ Divestitures		+ 219	+ 1.4	<ul style="list-style-type: none"> <li>• Aventis CropScience + 313</li> <li>• Covexx - 42</li> <li>• ChemDesign - 41</li> <li>• Bayer Classics - 8</li> <li>• H-acid - 8</li> <li>• other + 5</li> </ul>
+ Currencies		- 276	- 1.8	
+ Prices		- 591	- 3.8	
+ Volumes		- 364	- 2.4	
• Continuing		14,281	- 6.6	



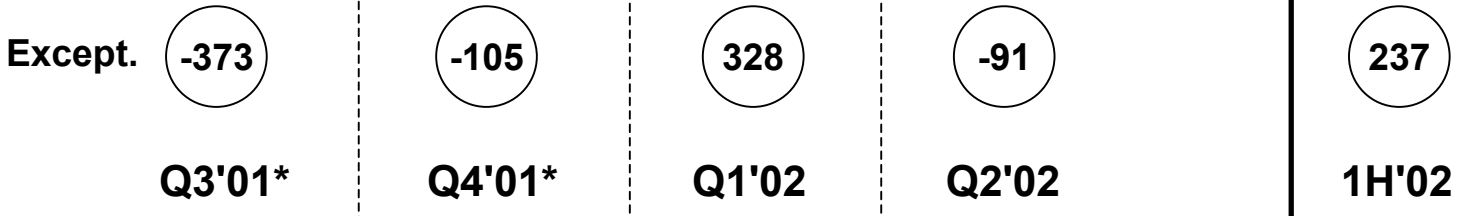
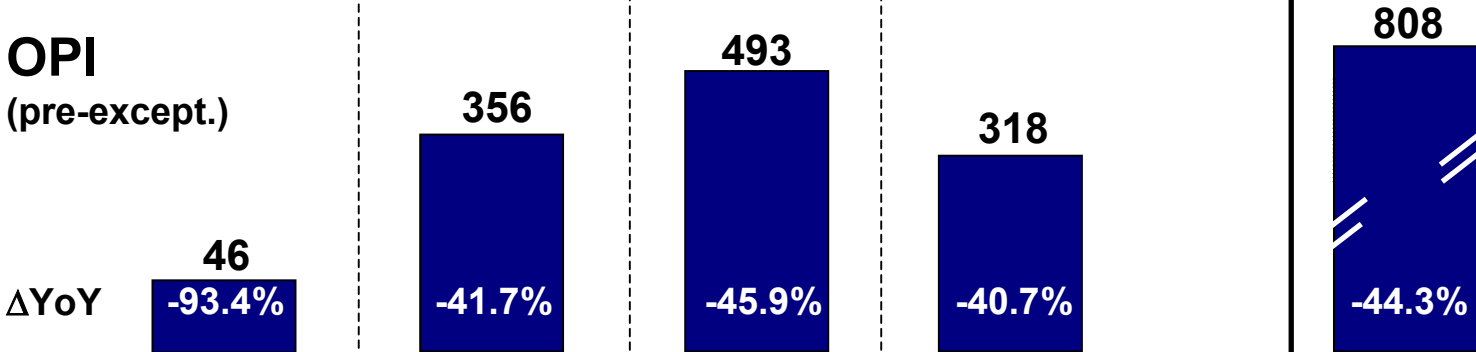
# Group Quarterly Performance (cont.)

€ million

## Sales



## OPI (pre-except.)



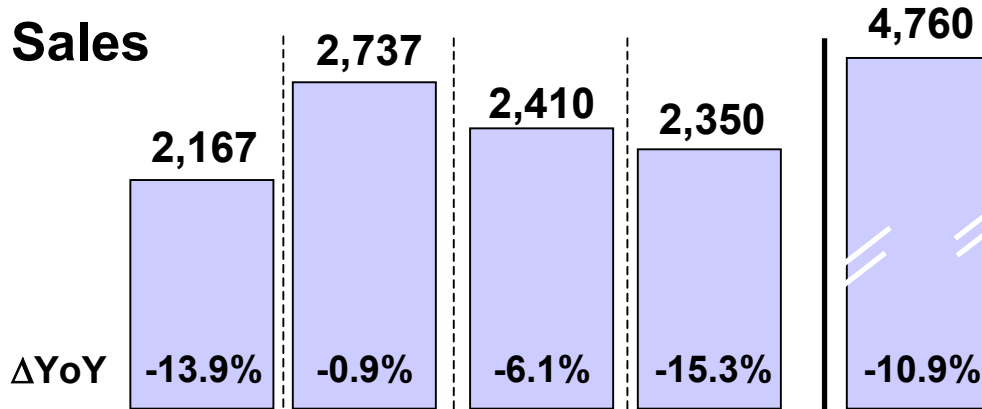
\* as reported



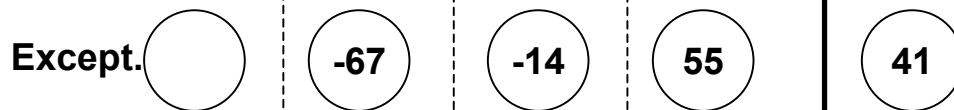
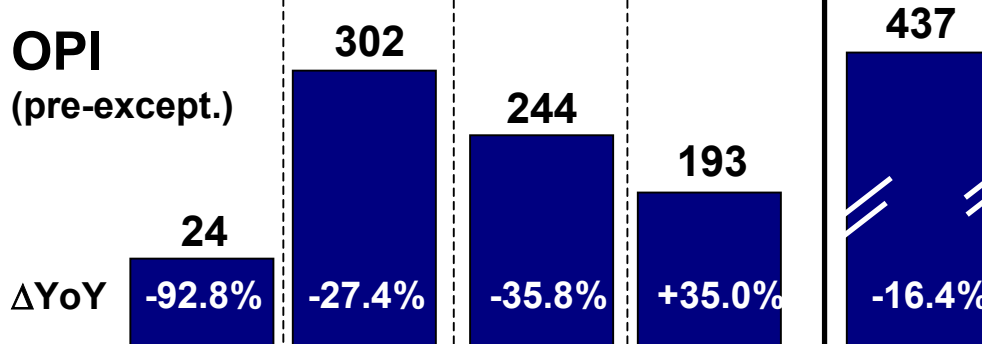
# HealthCare Quarterly Performance

€ million

## Sales



## OPI (pre-except.)



Q3'01\* Q4'01\* Q1'02 Q2'02 1H'02

\* as reported

- Pharmaceuticals below expectations
- Cipro: ongoing inventory reduction
- Adalat: intensified generic competition
- Kogenate: on track
- Gamimune: fierce price competition
- Consumer Care: economic / political crisis in Latin America
- Diagnostics: continuing improvement
- Animal Health: above budget

# Pharmaceuticals – Top 10 Products 1H '02



€ million

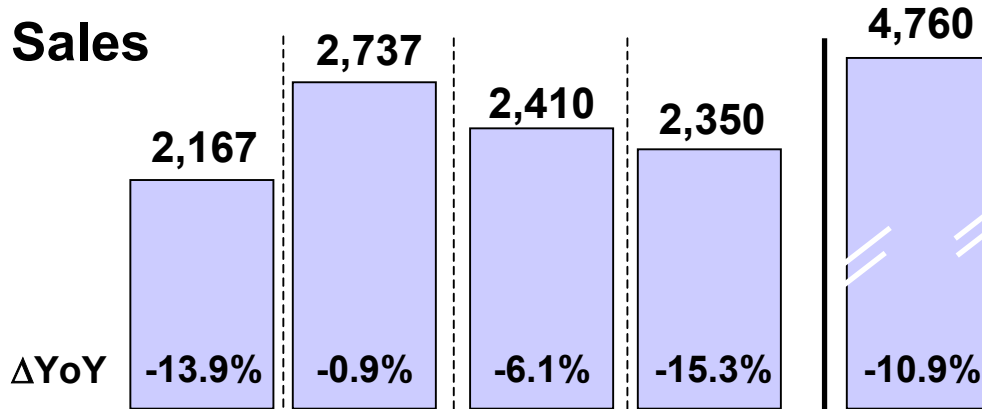
	Q2 '02	Δ %	1H '02	Δ %
(1) Ciprobay	368	- 9	775	+ 5
(2) Adalat	237	- 3	444	- 13
(3) Kogenate	92	+ 77	176	+ 75
(4) Gamimune	78	- 18	154	- 1
(5) Glucobay	71	- 10	145	- 6
(6) Avelox	44	+ 33	112	+ 6
(7) Prolastin	40	+ 60	82	+ 46
(8) Nimotop	32	+ 28	65	+ 7
(9) Trasylol	20	- 35	64	- 4
(10) Fraction V	23	- 15	44	- 13



# HealthCare Quarterly Performance

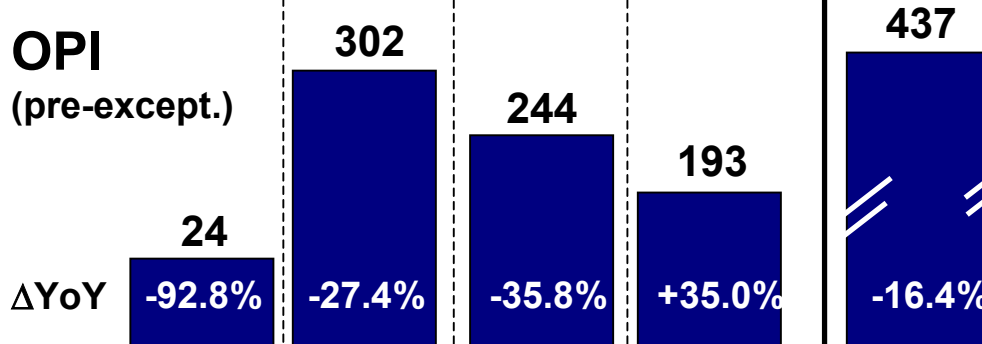
€ million

## Sales



## OPI

(pre-except.)



Except.



Q3'01\* Q4'01\* Q1'02 Q2'02 1H'02

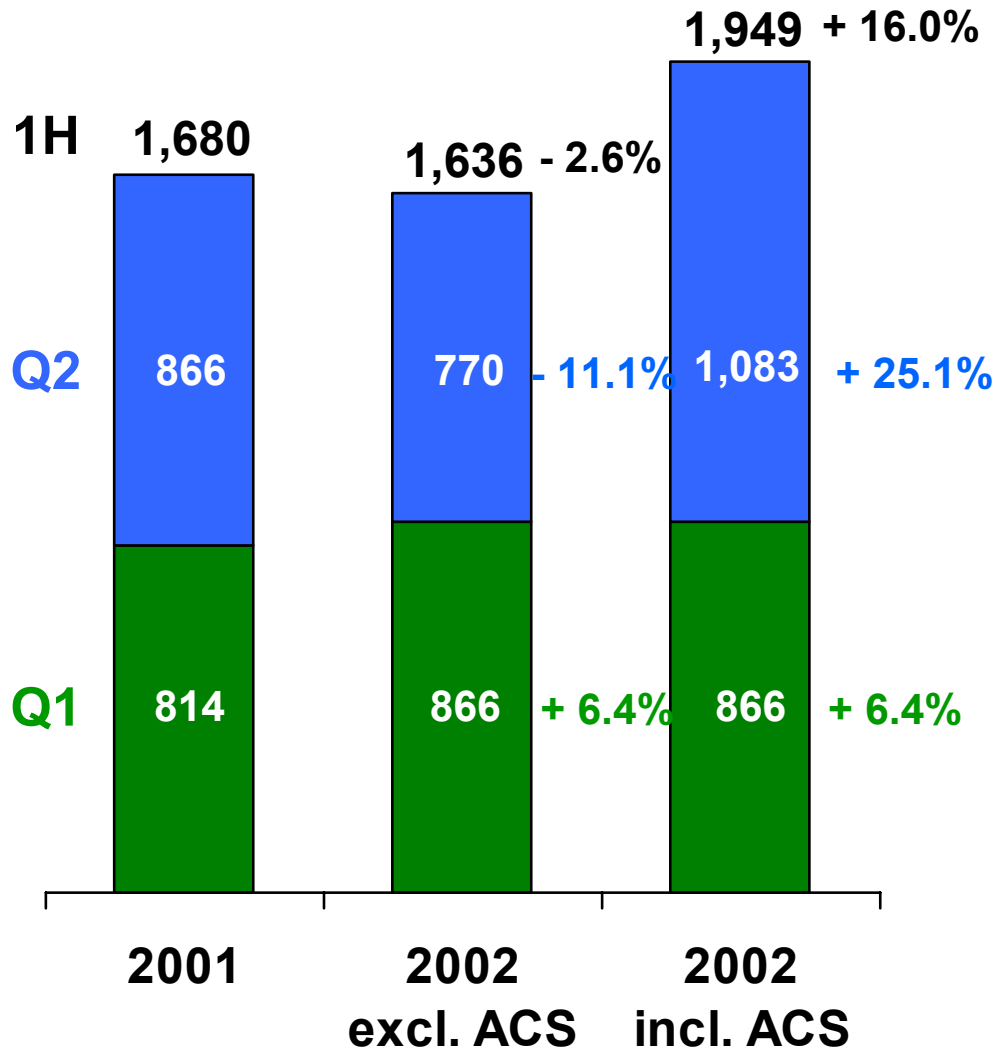
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# CropScience: Comparable Sales Development



€ million



- Business nearly maintained in declining markets

- Trend by segment & region

Insect.	⇒	Europe	↑
Fungic.	⇒	NAFTA	↓
Herbic.	↓	LA	↓
Env.Sci.	↑	Asia	⇒

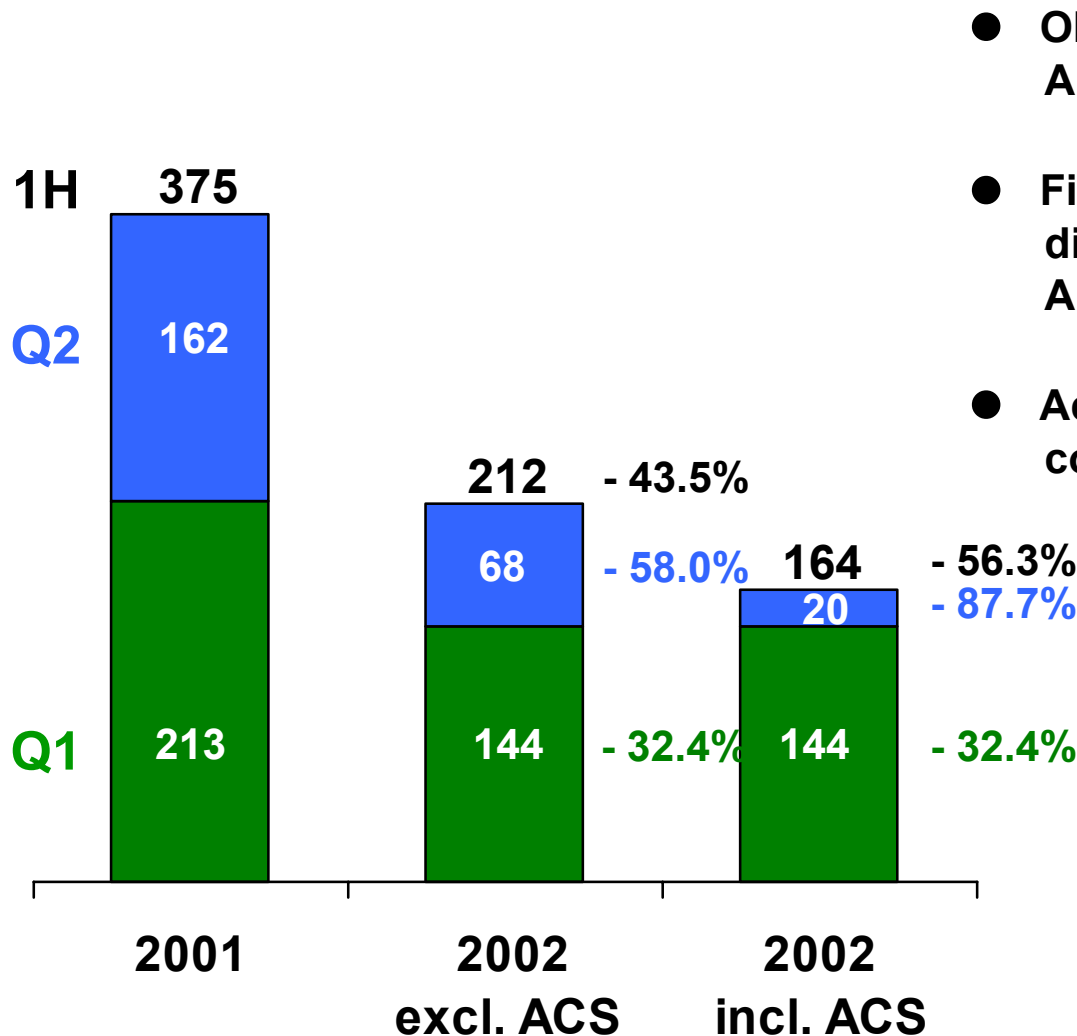
- Including € 313m from ACS



# CropScience: Comparable OPI Development



€ million



- OPI affected by situation in Argentina and Brazil: € 60m in 1H
- First-time integration of ACS dilutive by € 50m. Amortization € 80m in Q2
- Acquisition / Carve-out / Integration costs of € 40m in 1H

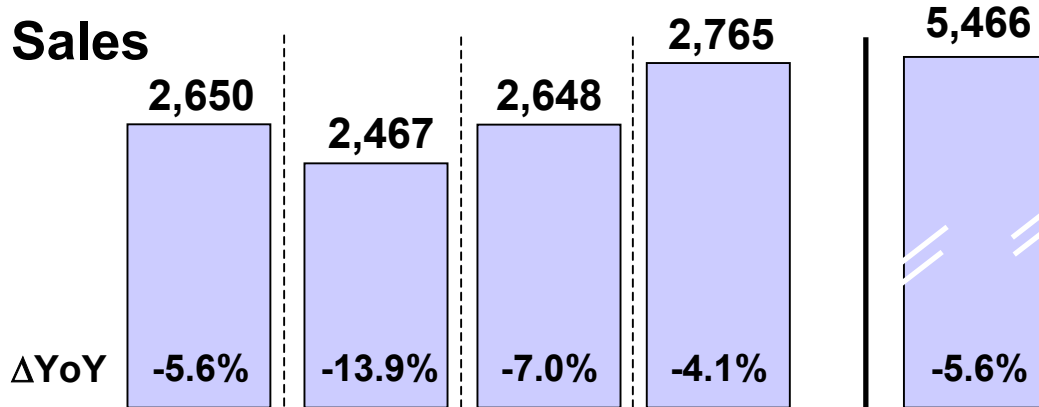
pre-exceptionals



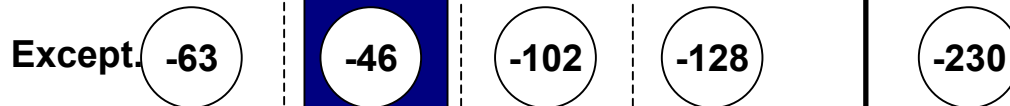
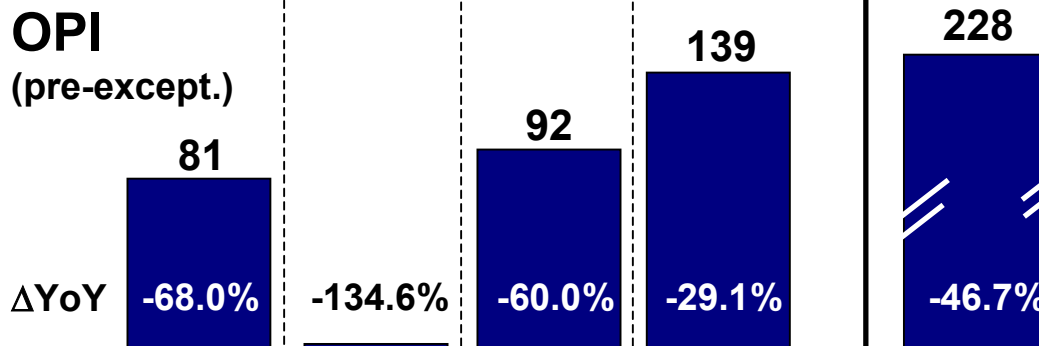
# Polymers Quarterly Performance

€ million

## Sales



## OPI (pre-except.)



Q3'01\*

Q4'01\*

Q1'02

Q2'02

1H'02

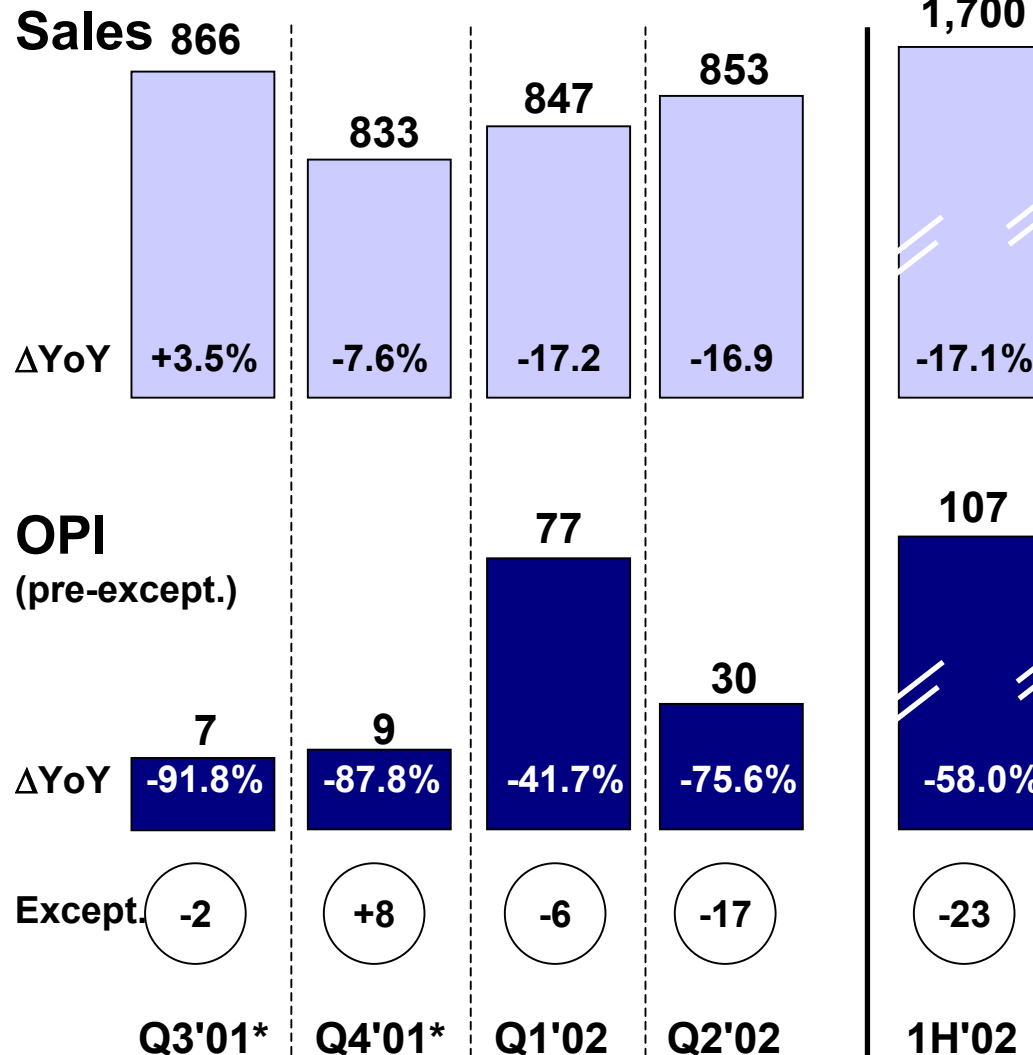
\* as reported

- Weak demand from key customer industries
- Selling prices under continuing pressure
- Raw material prices rising but still below previous year
- Fibers reclassified as continuing but remain non-core



# Chemicals Quarterly Performance

€ million



- Weak demand from key customer industries
- Caustic soda prices under severe pressure
- Top line affected by divestments of ChemDesign (- 41) and Covexx (- 42) during 1H
- Specialty Products significantly up YoY

\* as reported



# 1H Comparable Operating Income

€ million

	2002	2001	Δ %
<b>OPI reported</b>	<b>1,088</b>	<b>1,671</b>	<b>- 34.9</b>
● Segments	724	1,449	
● Reconciliation	321	(150)	
● Discontinuing operations	43	372	
- H&R	43	38	
- Erdölchemie (OPI + Sale)	•	334	
<b>OPI continuing</b>	<b>1,045</b>	<b>1,299</b>	<b>- 19.6</b>
● Exceptional items (cont.)	237	(151)	
<b>OPI underlying – continuing operations</b>	<b>808</b>	<b>1,450</b>	<b>- 44.3</b>

# 1H Exceptional Items



€ million

	2002			2001			
	Charge	Gain	Net	Charge	Gain	Net	Δ
HealthCare	-35	+76	+41	-26	+22	-4	+45
CropScience	0	0	0	0	0	0	0
Polymers*	-230	0	-230	-55	0	-55	-175
Chemicals	-23	0	-23	-87	+14	-73	+50
Reconciliation	-4	+453	+449	-19	0	-19	+468
<b>Continuing</b>	<b>-292</b>	<b>+529</b>	<b>+237</b>	<b>-187</b>	<b>+36</b>	<b>-151</b>	<b>+388</b>
Discontinuing*	0	0	0	0	+317	+317	-317
<b>Total</b>	<b>-292</b>	<b>+529</b>	<b>+237</b>	<b>-187</b>	<b>+353</b>	<b>+166</b>	<b>+71</b>

\*) Restated, (17) in Q1/2001 for Fibers in Polymers



# 1H Non-Operating Result

€ million

	1H'02	1H'01	Δ %
<b>Non-operating result</b>	<b>- 109</b>	<b>- 230</b>	<b>+ 52.6</b>
● Income (expenses) from affiliated companies – net	+ 234	+ 42	•
● Interest expense – net	- 178	- 189	+ 5.8
● Interest portion pension provisions	- 137	- 134	- 2.2
● Exchange gain – net	- 2	+ 21	•
● Miscellaneous – net	- 26	+ 30	•

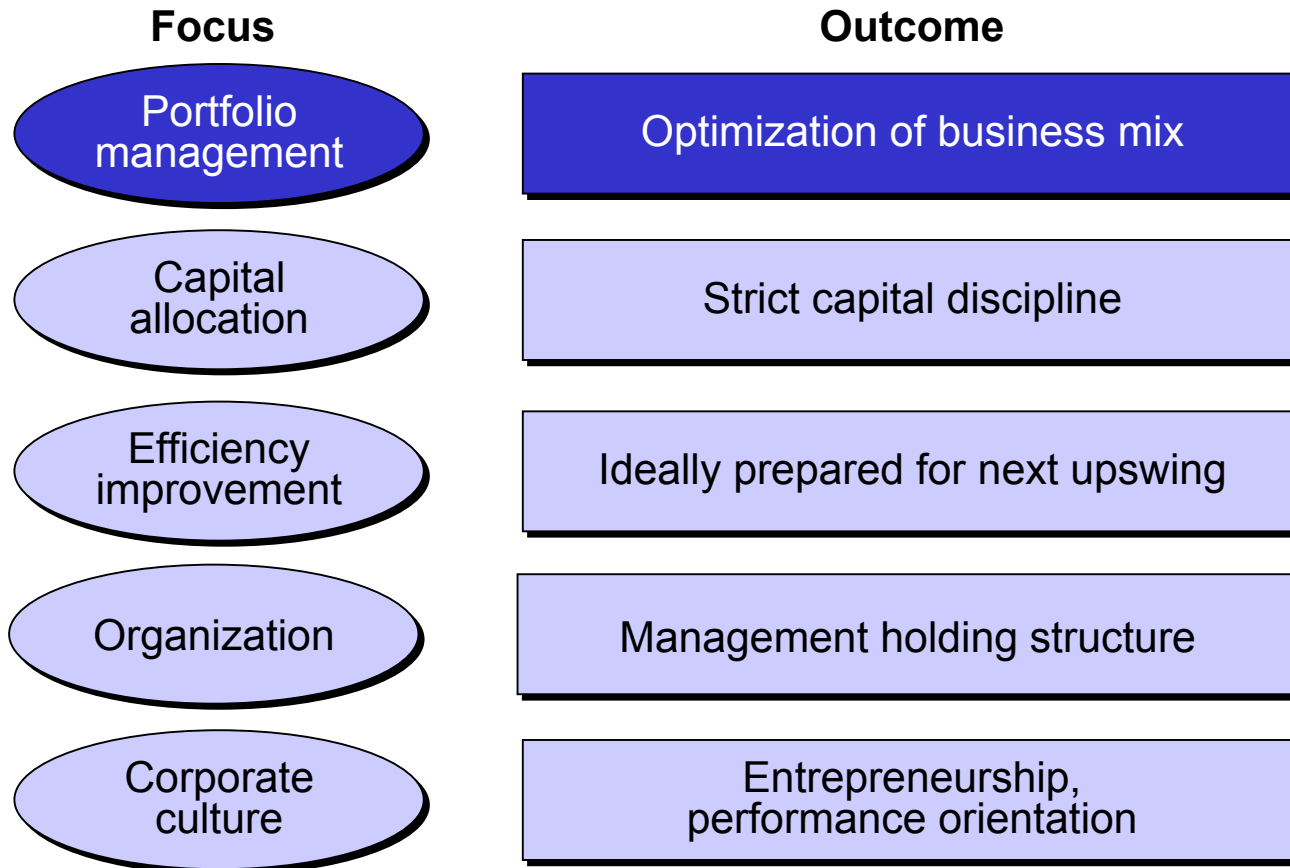
# 2002 Financial Highlights



€ million

	<b>Q2'02</b>	<b>Δ %</b>	<b>H1'02</b>	<b>Δ %</b>
● Sales	7,504	– 7.0	14,737	– 7.7
● Sales (cont.)	7,271	– 6.7	14,281	– 6.6
● Operating income	248	– 69.9	1,088	– 34.9
● Operating income (cont.)	227	– 53.7	1,045	– 19.6
● Operating income pre-exceptionals (cont.)	318	– 40.7	808	– 44.3
● Non-operating result	48	146.2	– 109	– 52.6
● Pre-tax income	296	– 58.8	979	– 32.1
● After-tax income	296	– 47.7	820	– 18.3
● Net income	293	– 48.0	816	– 18.9
● Earnings/share (Euro)	0.40	– 48.0	1,12	– 18.9

# A Far-Reaching Transformation...



... to significantly increase corporate value

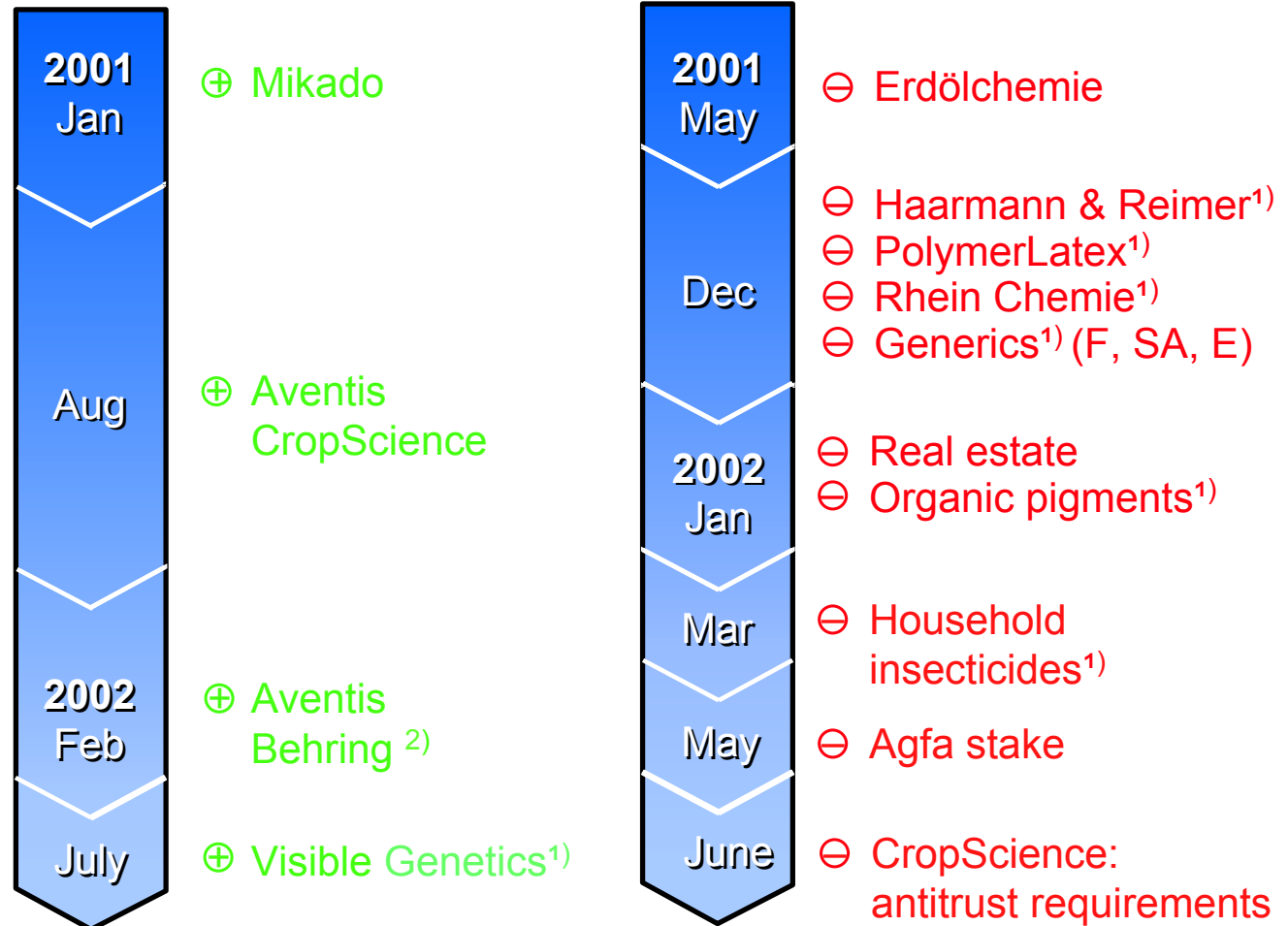


# Portfolio Optimization Continues



## Acquisitions/Joint Ventures

## Divestitures



Dates of announcement

1) Pending

2) Non-binding letter of intent to establish a joint venture, Subject to due diligence, the negotiation of a final agreement, approval by the boards of both companies and regulatory authorities



# Strategic Priorities\*

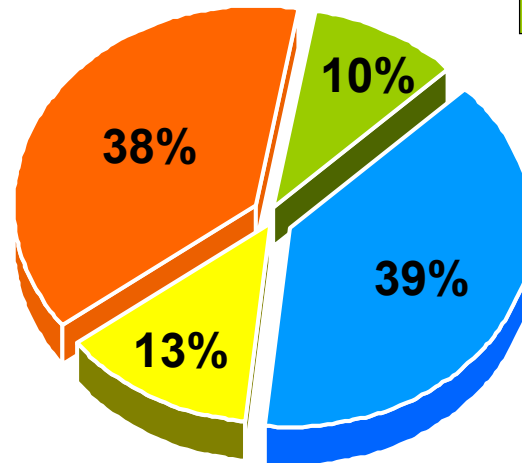
Sales (cont.) 2001: € 28,938 m

**Health Care**

Find strategic partner(s)

**CropScience**

Successfully manage ACS integration



**Polymers**

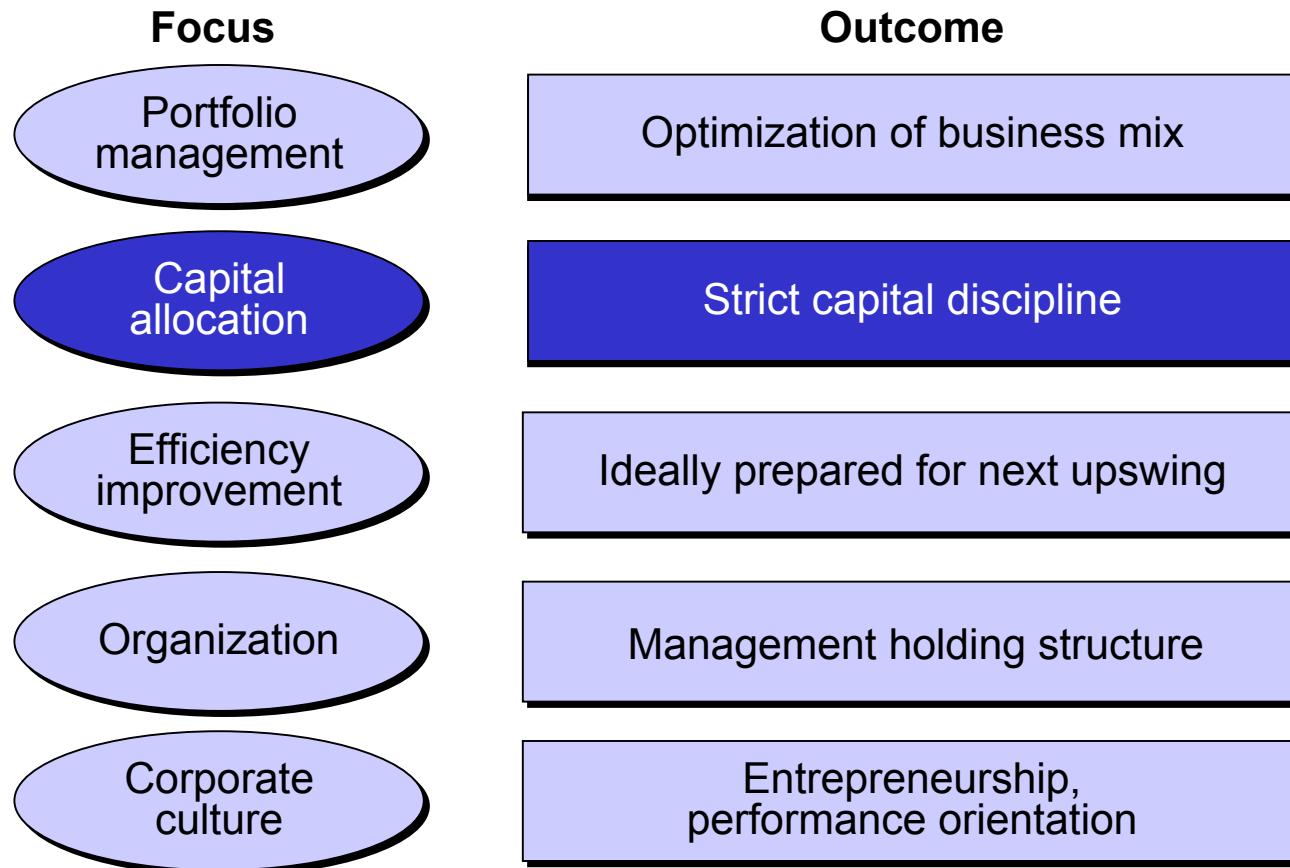
Expand global leadership

**Chemicals**

Participate in industry consolidation

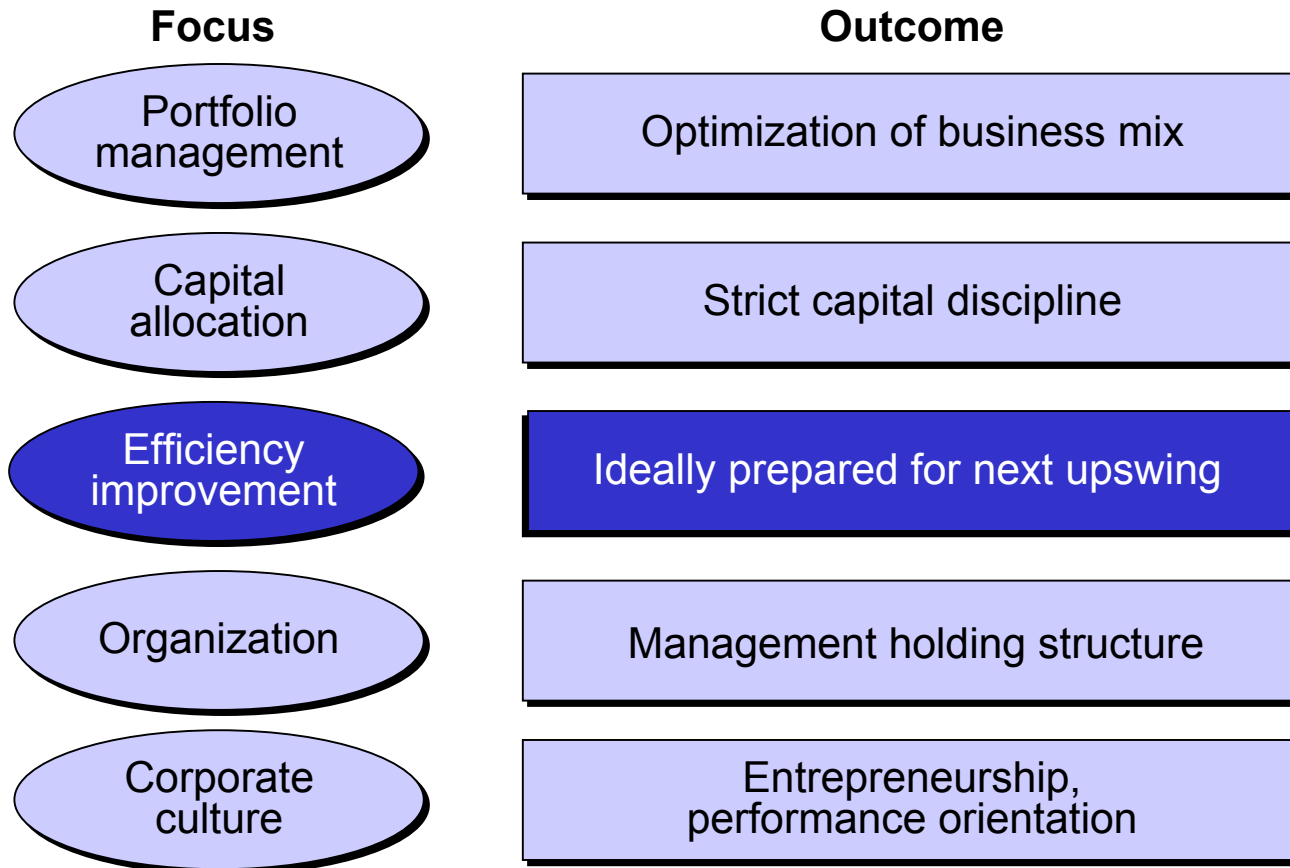
\* Animal Health business included in Health Care  
Sales of Aventis CropScience not included

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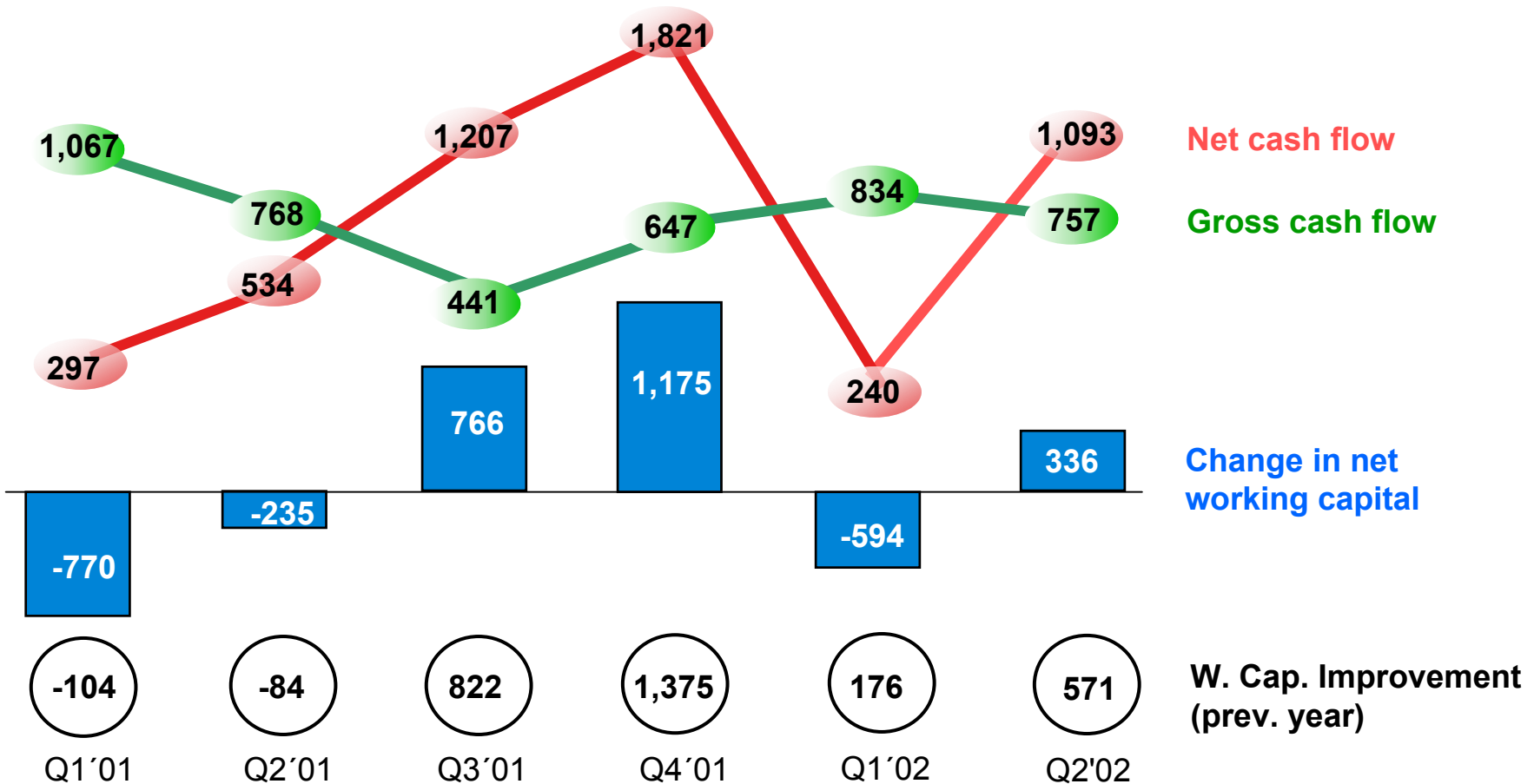
# Working Capital Performance

€ million

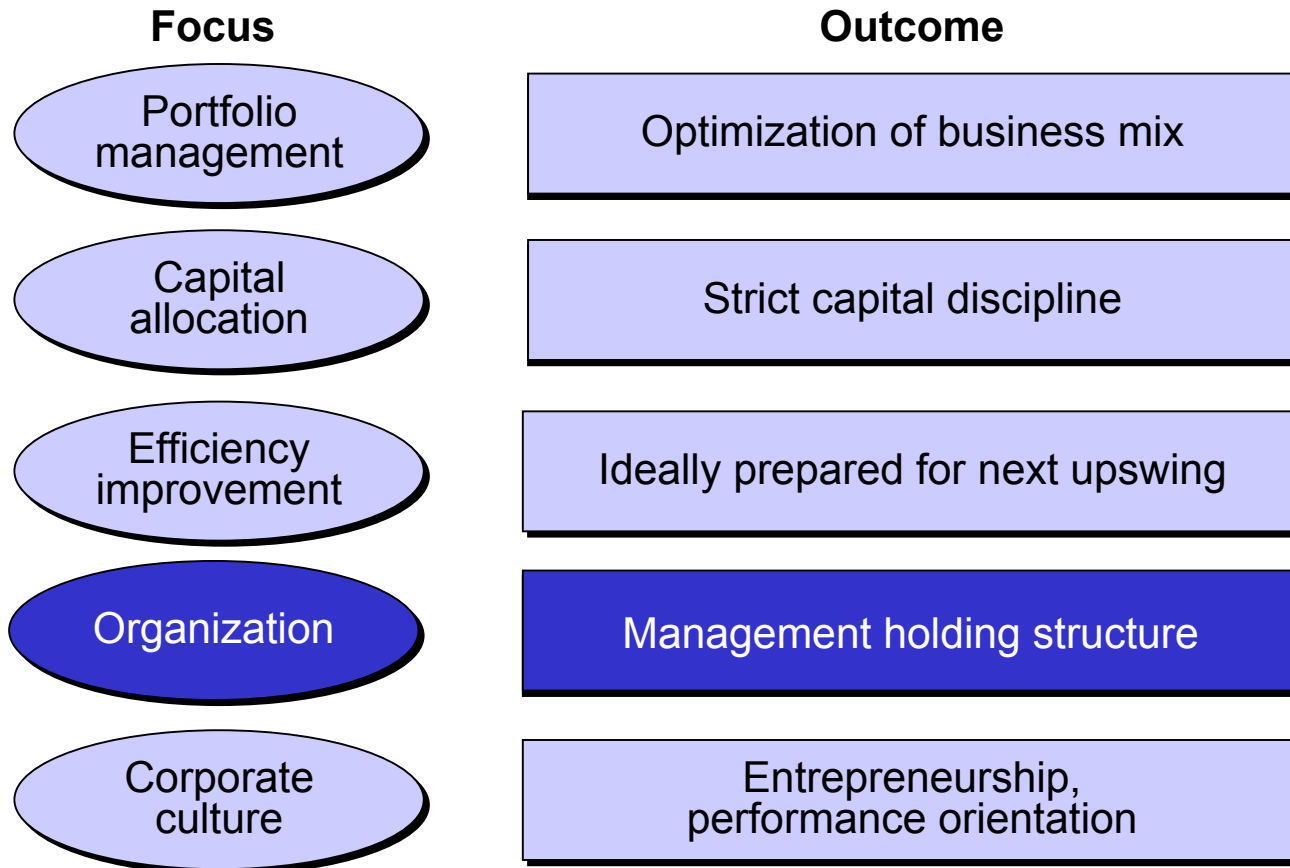
Objectives:

Reduction of 1 bn

Additional 1 - 1.5 bn

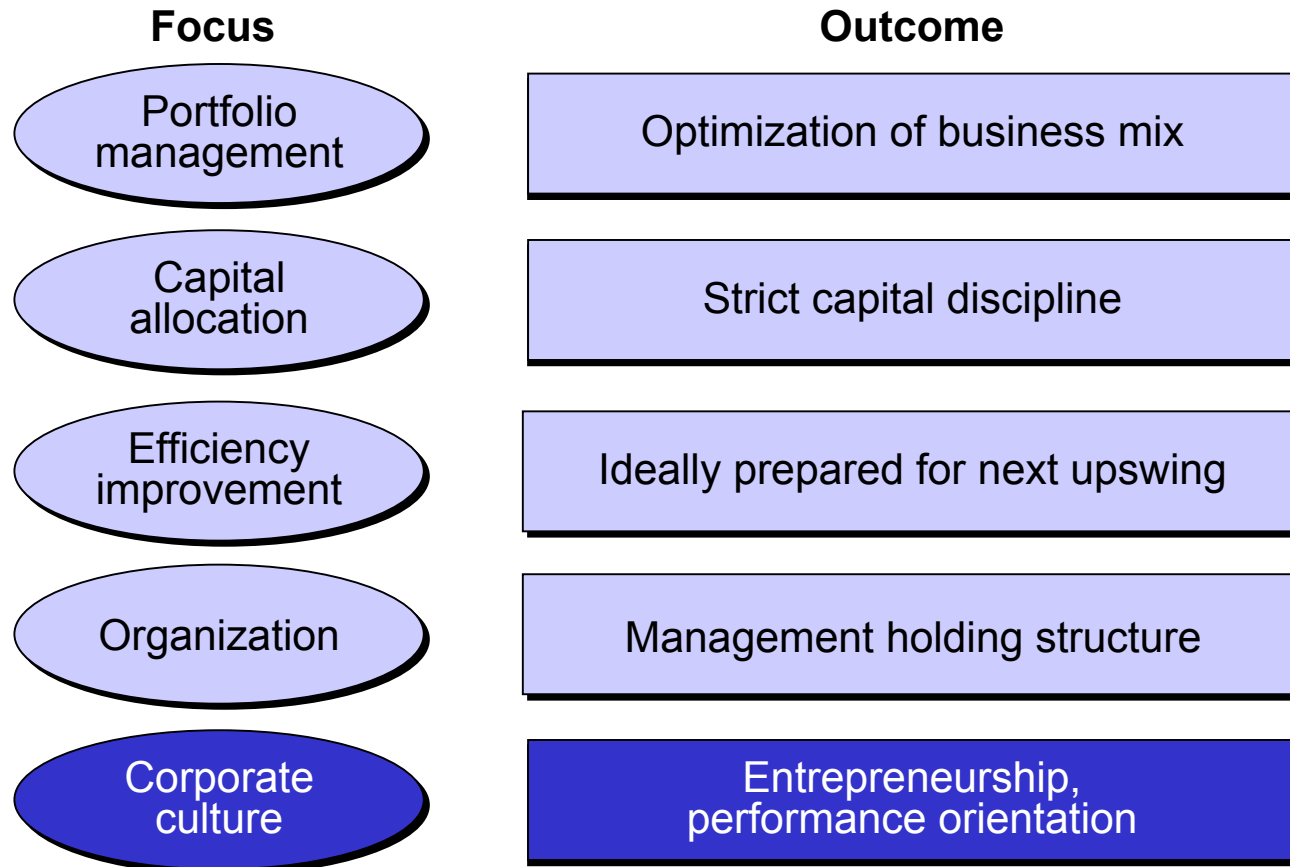


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Bayer

**The Transformation has begun**