

Investor Handout

Financials

Strategy

R & D

Bayer 

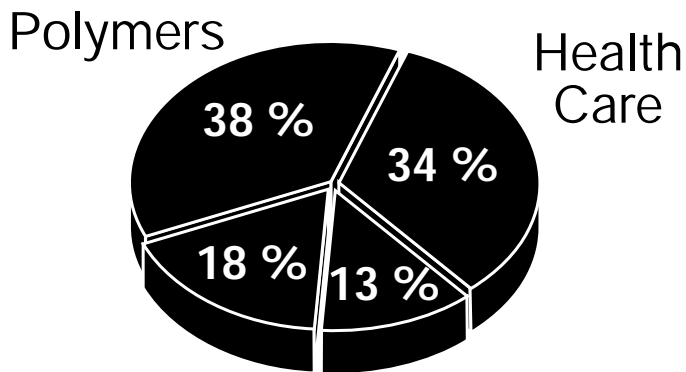


Sustained increase in the company's value

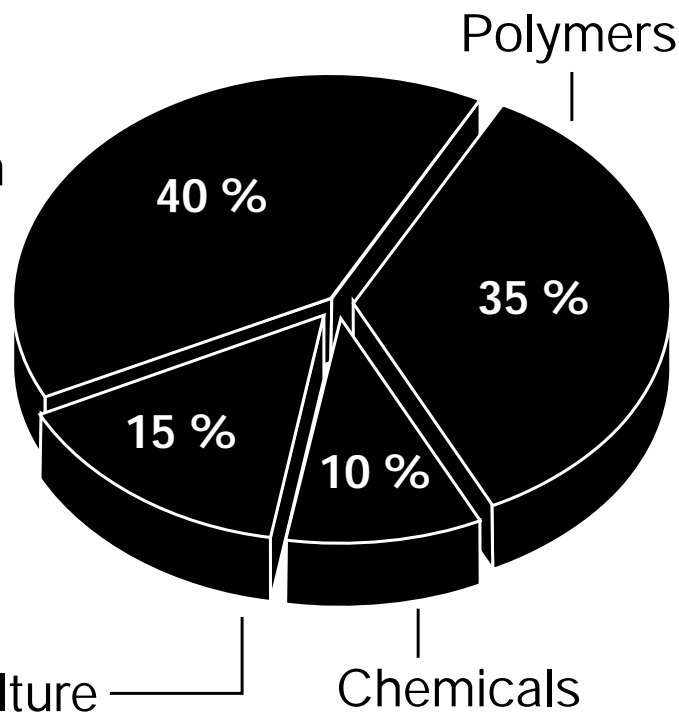
- Focus on creating value and improving profitability
- State-of-the-art portfolio management system
- Expansion of life science activities
- Acceleration of portfolio management
- Stock option plan introduced
- Transparency and investor relations

Expansion of life science activities continues

1999



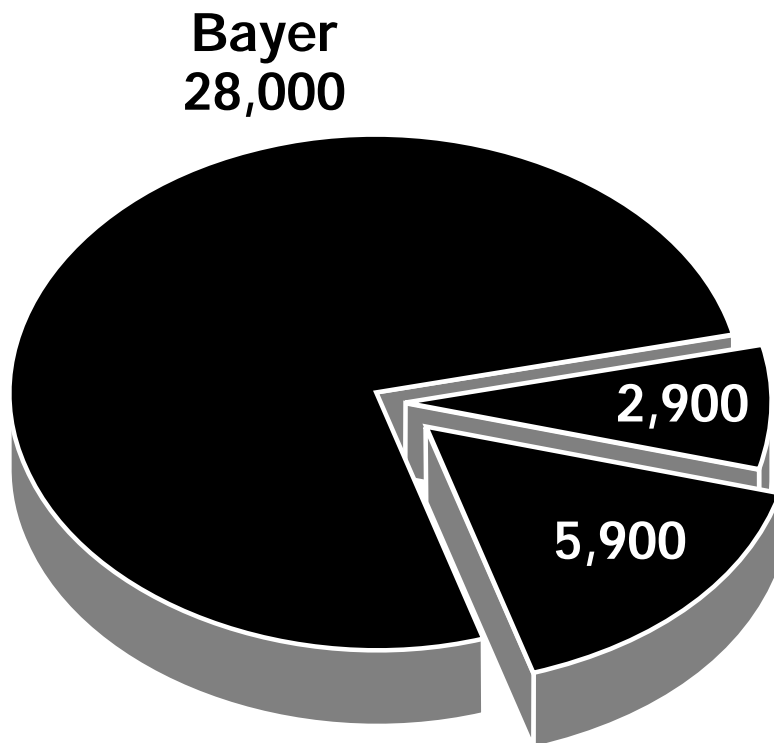
Target



% of total sales

Acceleration of portfolio management: Nearly € 9bn since '96

Sales in € million



Acquisitions*

● Polyols & PO j.v.	800
● Gustafson (50%)	110
● Chiron	500
● Graphic Arts	450
● Sanvet	25
● Premier	40
● CPB	55
● Sheet business	200
● Roche j.v.	200
● Printing plates	420
● Hüls j.v.	75

Divestitures*

● DyStar	400
● Agfa	4,350
● Titanium dioxide	210
● Silicones	220
● Citric acid	250
● Copying systems	250
● Enamels	100
● Skin & body care	115
● Mycelex	15

* since 1996

Strategic priorities

Health Care

Agriculture

Polymers

Chemicals

Improving
profitability and
market share

Participating
in industry
consolidation

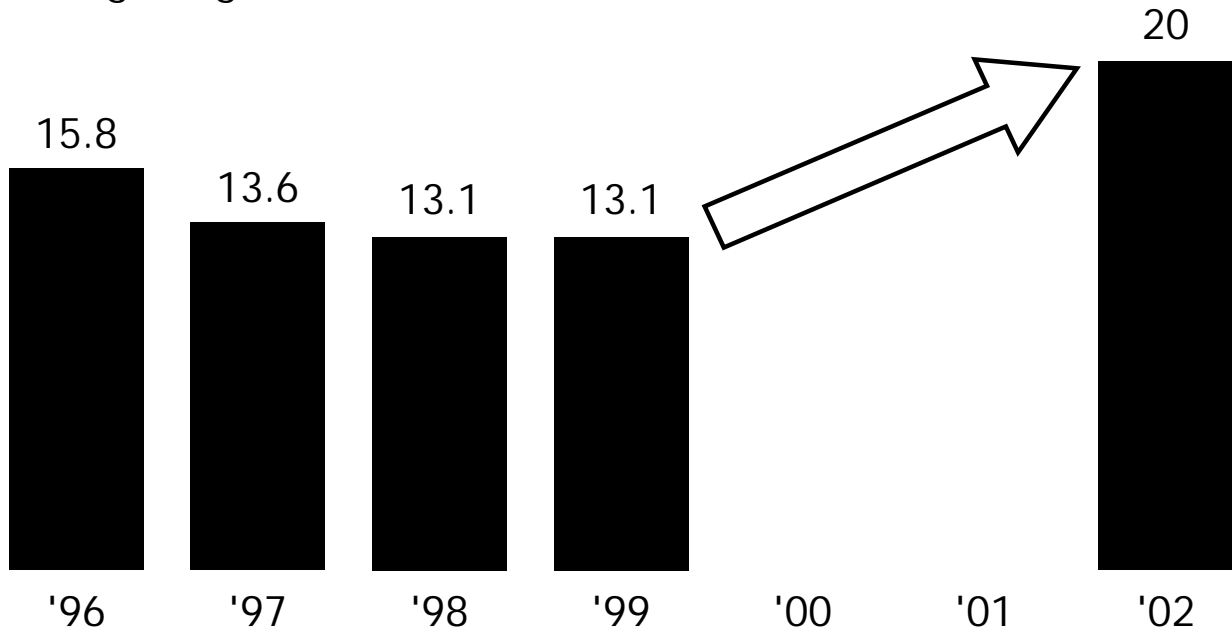
Expanding
global
leadership

Improving
profitability

- ▶ Pharma restructuring
- ▶ Chiron integration
- ▶ Site consolidation CC
- ▶ Life-cycle management Cipro
- ▶ Adalat – still going strong
- ▶ Kogenate – blockbuster potential
- ▶ Baycol – Sales target 3 1bn in 2000
- ▶ Avelox – successful launch
- ▶ Build pipeline
- ▶ World class technology platform
- ▶ Successful inlicensing

Health Care – Substantial profitability improvements

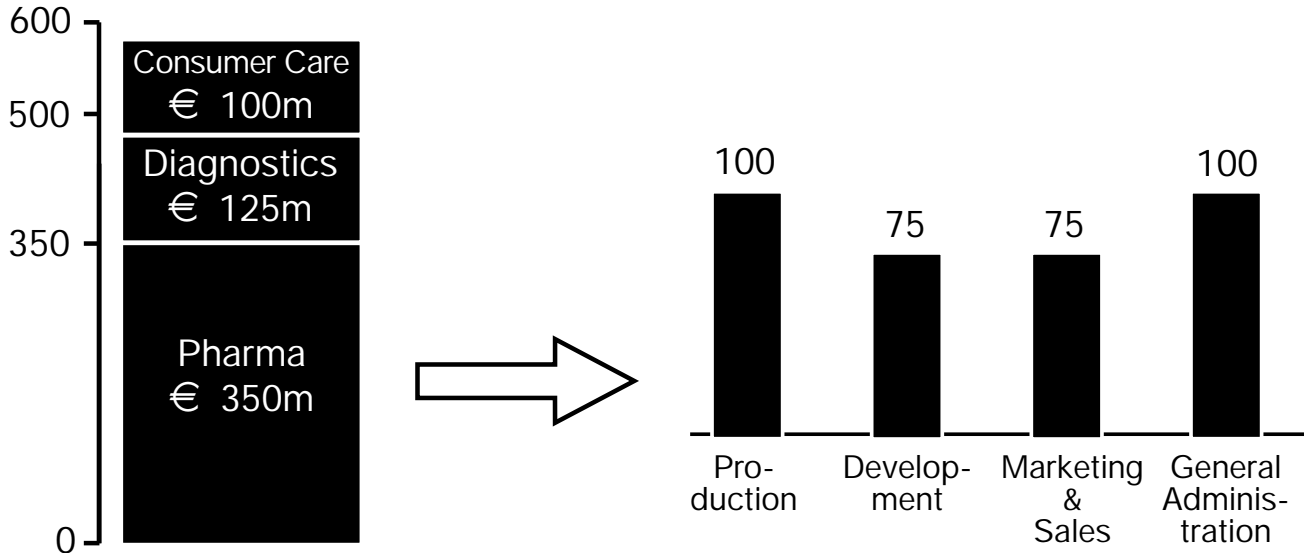
Operating margin



- Initiatives under way to save over € 500 million in costs
- Stable profit contribution from existing portfolio
- Successful launch of new products

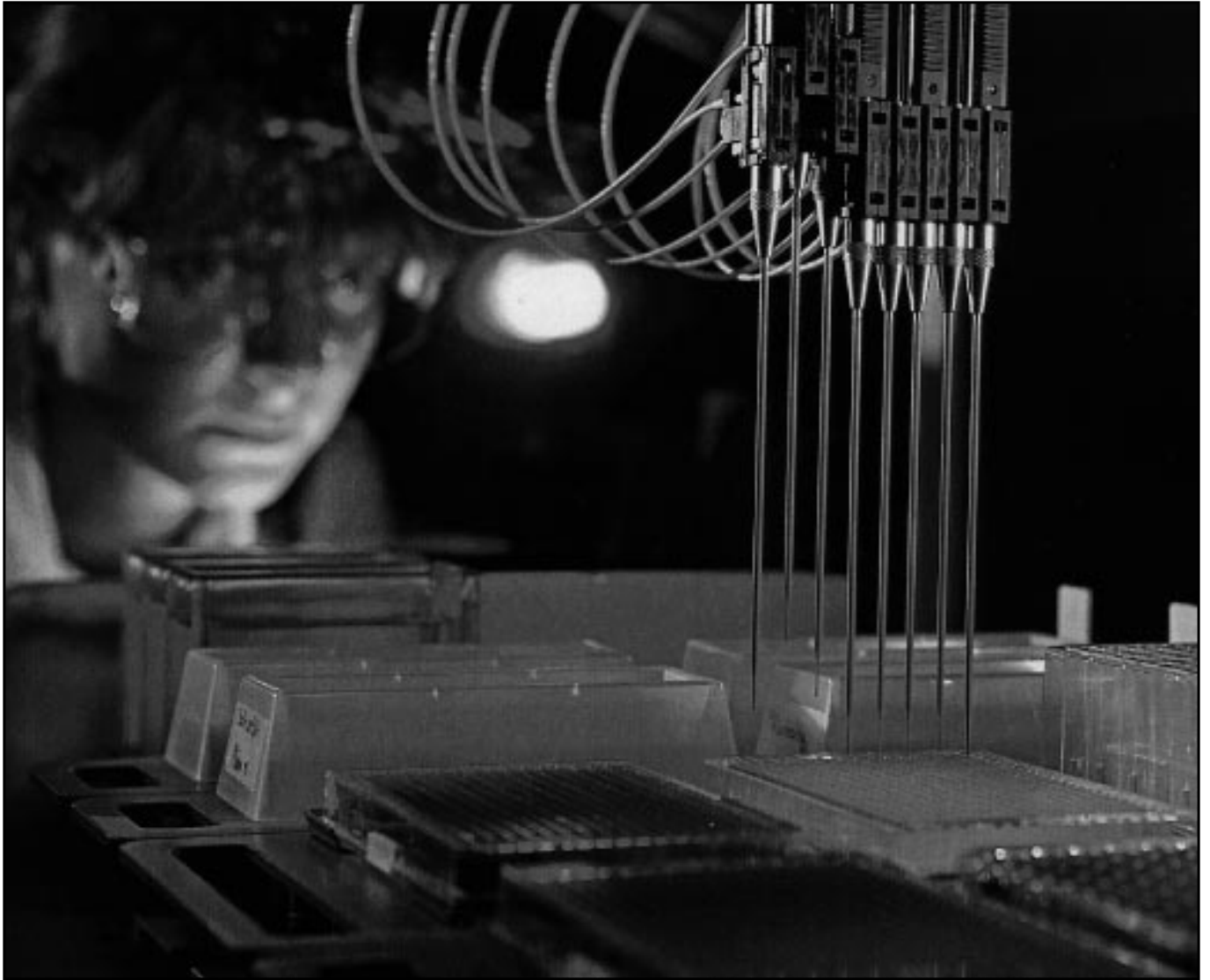
Health Care – Far-reaching cost cutting initiatives

€ million

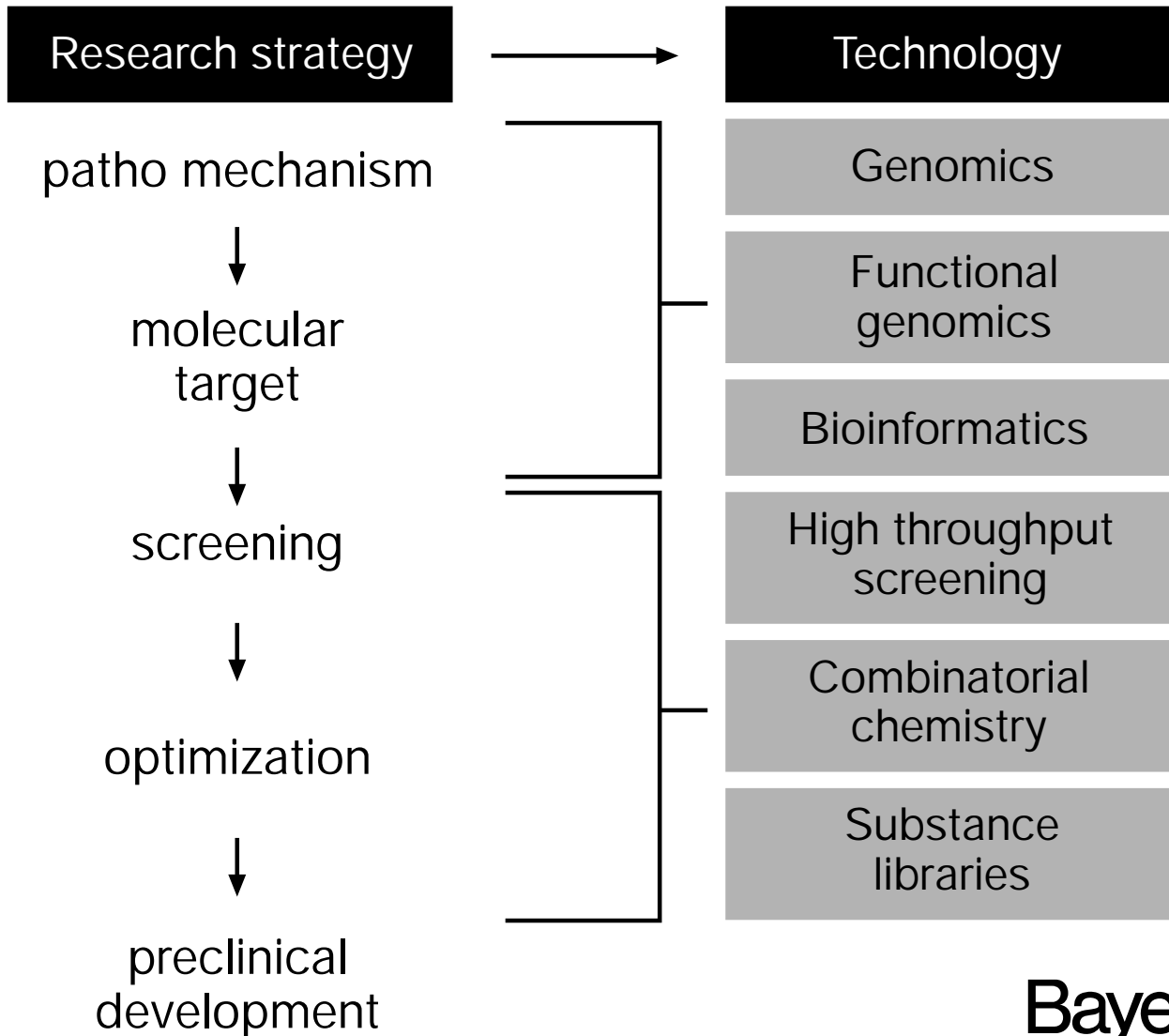


- Pharma restructuring program under way
 - Headcount reduction of 2,200 people
 - Closure of 6 production sites
 - Streamlining of product portfolio (37 products)
 - Allergens and Tropon divested
- Diagnostics – Synergies from Chiron integration
 - Headcount reduction of 1,200 people
- Consumer Care – Consolidation of production sites
 - Cumulative savings over 5 years \triangleq € 100m
 - Headcount reduction 175 people (net)

Build the pipeline



New technologies are revolutionizing life science research

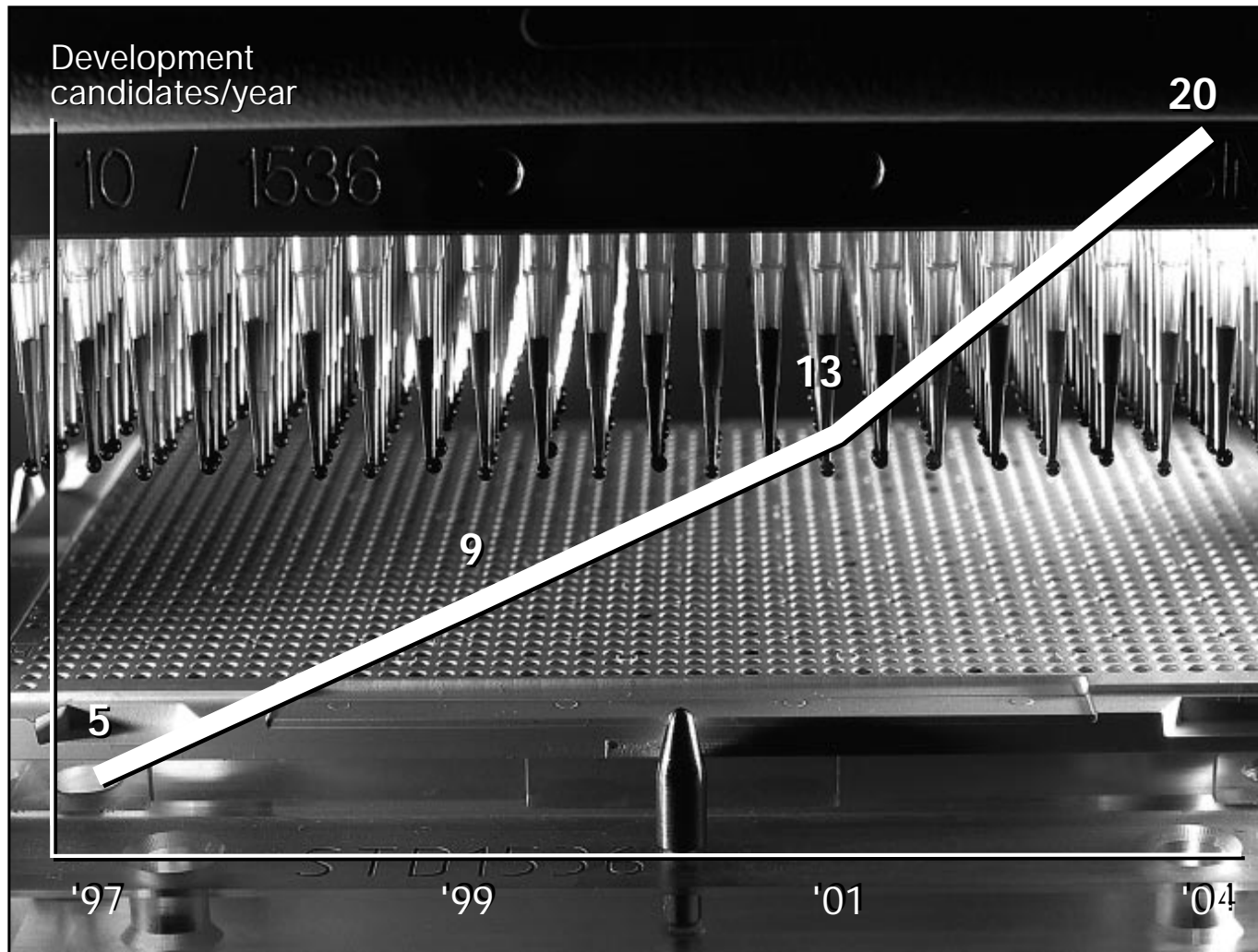


Leading position in key technologies achieved













Genomics → 1st league
Combichem → top player
HTS → 1st league
Chem. Library → 1st league
Bioinformatics → 1st league

Substantial improvement in research productivity



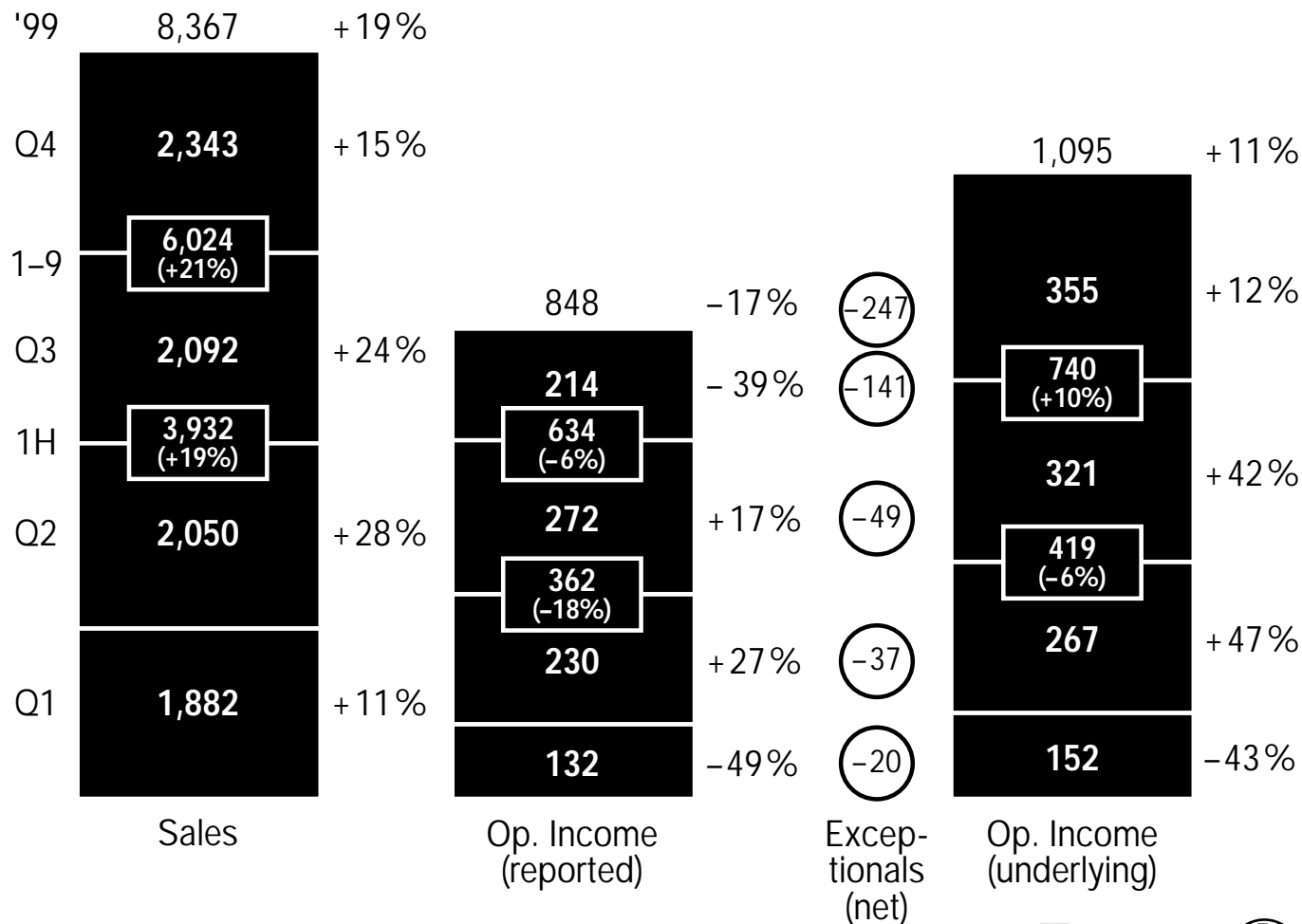
Health Care – Top 10 Products

€ million

		Sales 1999	Δ %
(1) Ciprobay		1,519	+ 17
(2) Adalat		1,021	+ 6
(3) Aspirin		580	+ 6
(4) Kogenate		377	- 2
(5) Glucometer Elite		354	+ 18
(6) Lipobay/Baycol		345	+ 205
(7) Gamimune		287	+ 59
(8) Glucobay		277	+ 13
(9) Alka-Seltzer		240	+ 10
(10) Vitamins		157	+ 14

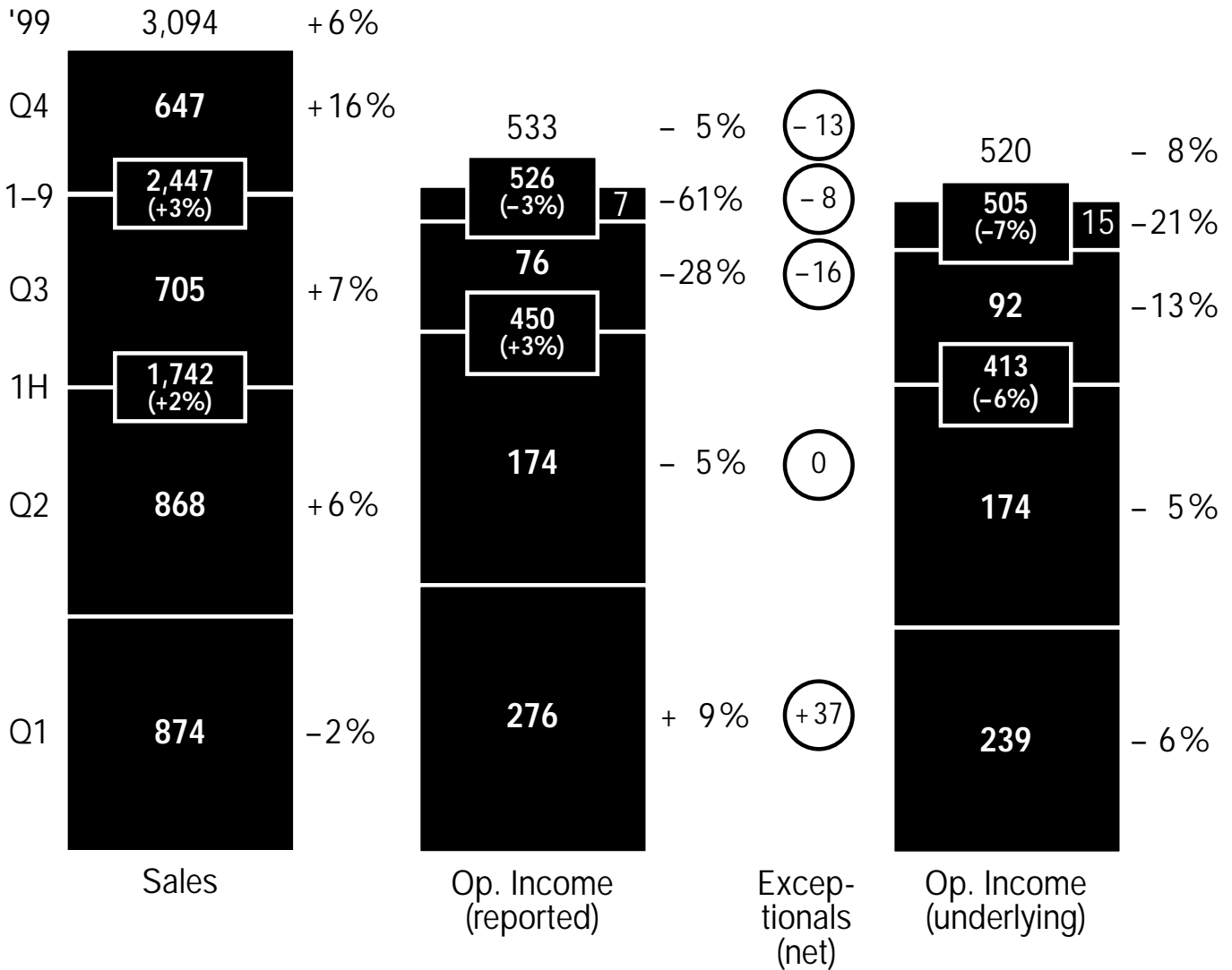
Health Care – Strong Growth and Excellent Perspectives

€ million



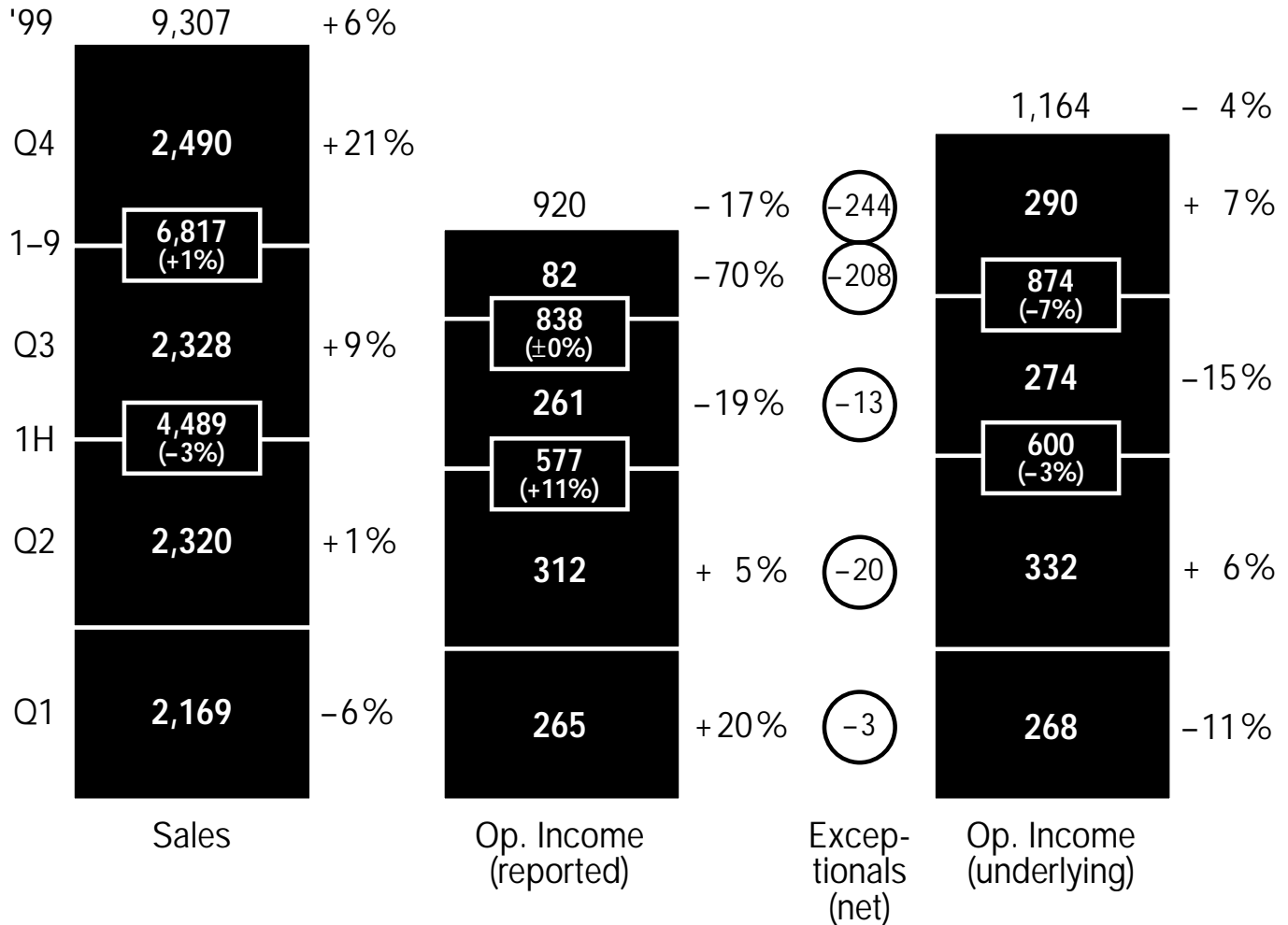
Agriculture – Strong in Difficult Environment

€ million



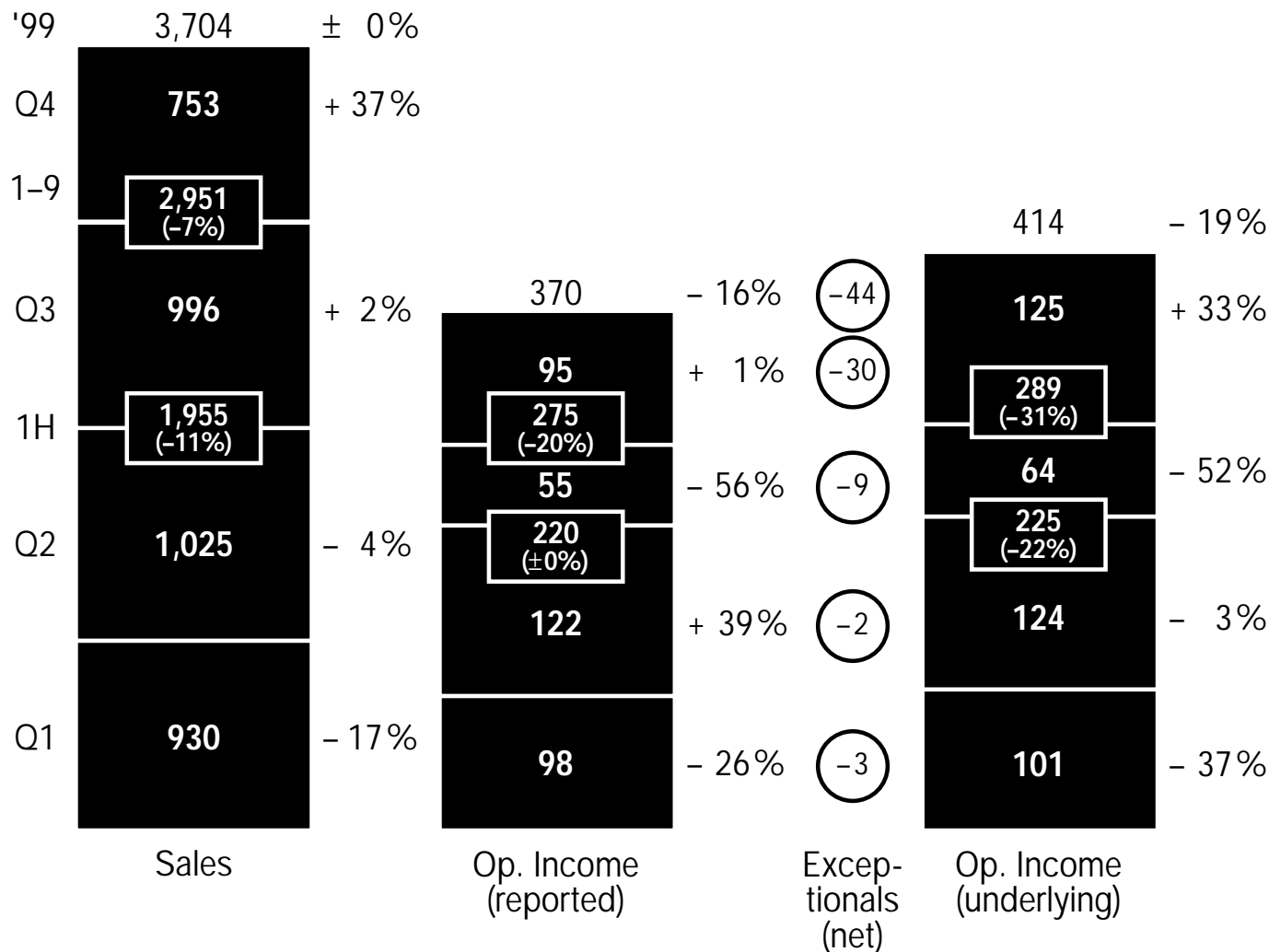
Polymers – Strong growth and good profitability

€ million



Chemicals – Restructuring bearing fruit

€ million



Strategic priorities

Health Care

Improving profitability and market share

Agriculture

Participating in industry consolidation

- ▶ Concentration on innovative chemistry
- ▶ Leadership in home garden market
- ▶ Seed treatment market leadership
- ▶ Strengthening of imidaacloprid franchise
- ▶ Two product launches/year
- ▶ Access to front-line technologies

Polymers

Expanding global leadership

Chemicals

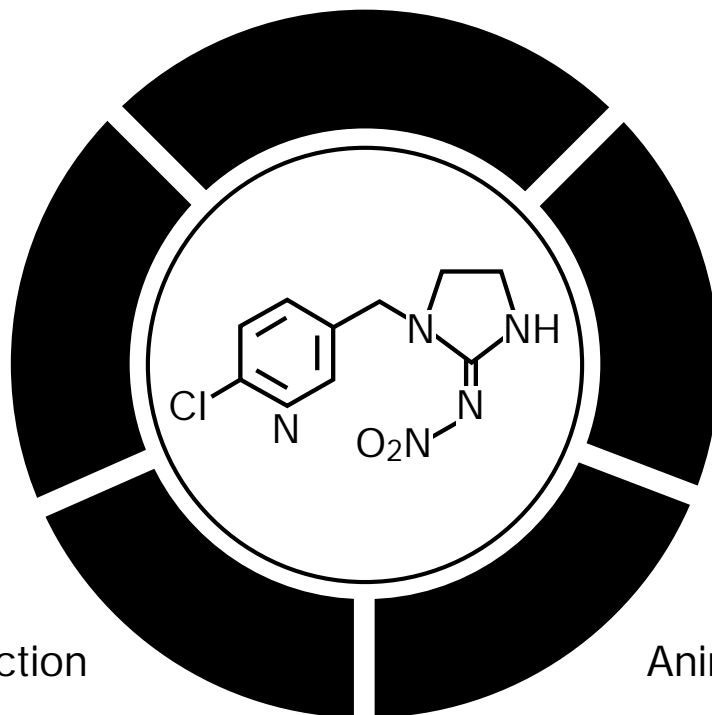
Improving profitability

Imidacloprid – the world's leading insecticide

Garden &
Professional Care

Consumer Care

Crop Protection



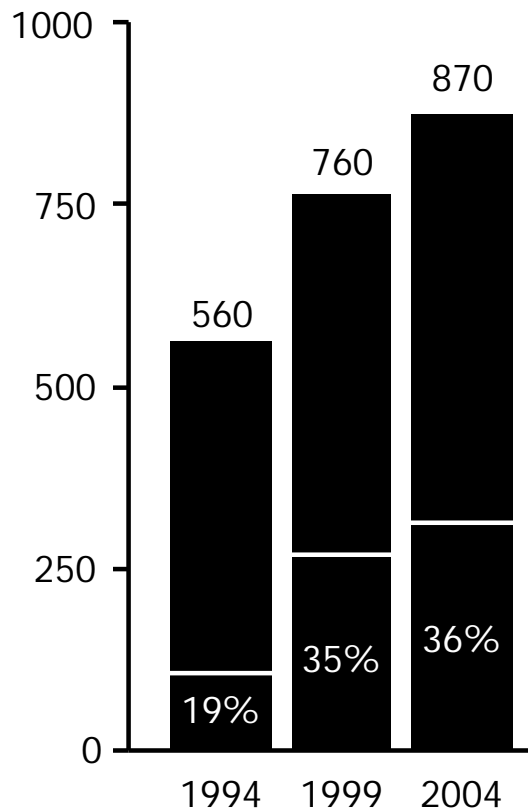
Wood Protection

Animal Health

- Market introduction 1991, patent protected until 2004
- Average life cycle of insecticides > 30 years
- Doubling of market share in GPC segment (16% in 2002)

Market leadership in seed treatment

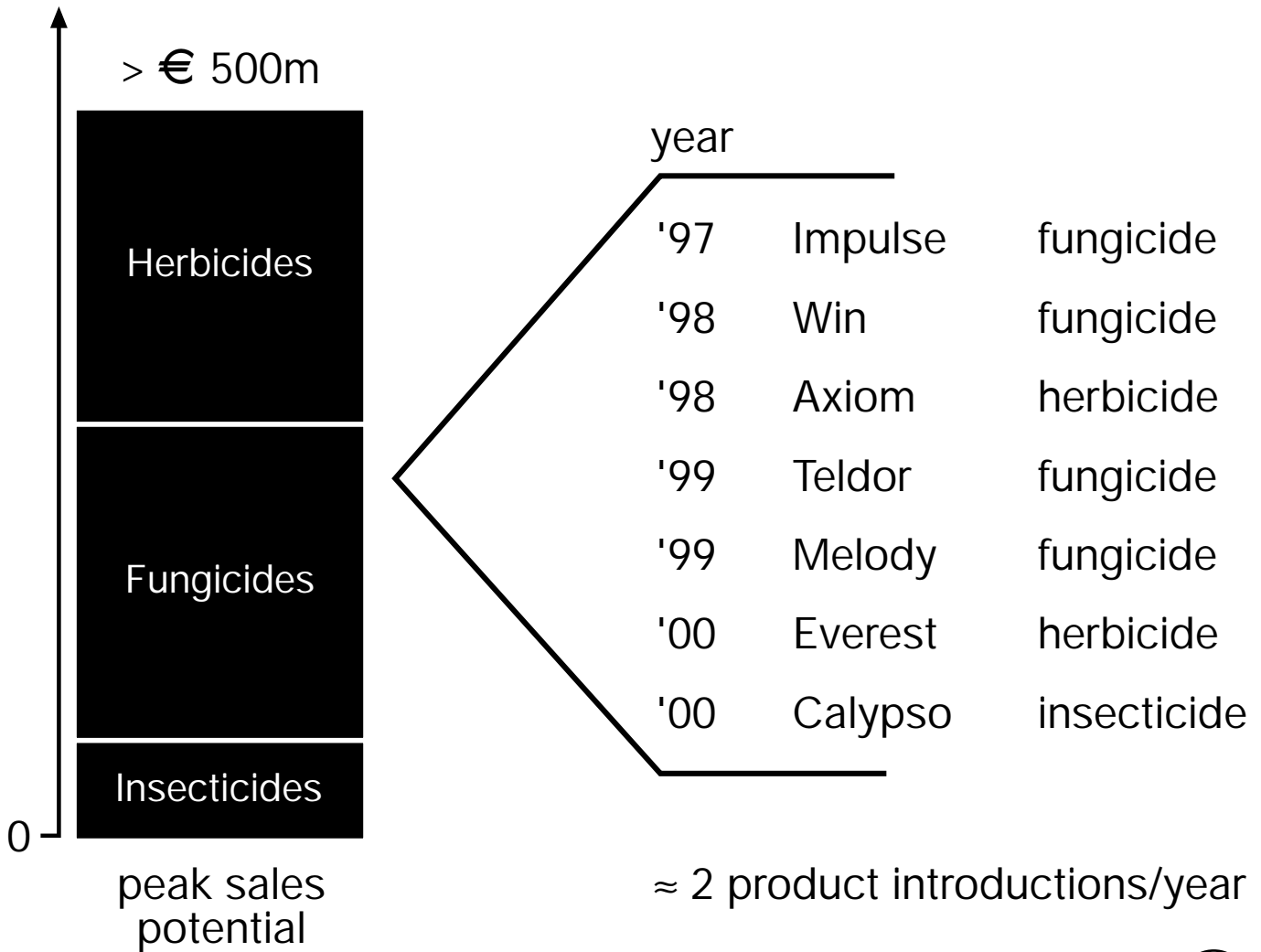
€ million



market
Bayer share

- Position strengthened through Gustafson joint-venture and acquisition of seed treatment business from Zeneca
- Strong portfolio providing excellent growth prospects
- Fast growing segment of crop protection market (+ 6%)
- Highly profitable – value of seed as delivery tool for GM plants is growing continuously
- Fastest growing markets US and CAN

Crop Protection – Growth through innovative products



Strategic priorities

Health Care

Improving
profitability and
market share

Agriculture

Participating
in industry
consolidation

Polymers

Expanding
global
leadership

- ▶ Engineering thermoplastics – attractive growth potential
- ▶ Isocyanates – world leader
- ▶ Access to complete value chain
- ▶ ABS-restructuring under way
- ▶ Makrolon – key growth driver
- ▶ Acrylic fibers – cooperation envisaged

Chemicals

Improving
profitability

Strategic priorities

Health Care

Agriculture

Polymers

Chemicals

Improving
profitability and
market share

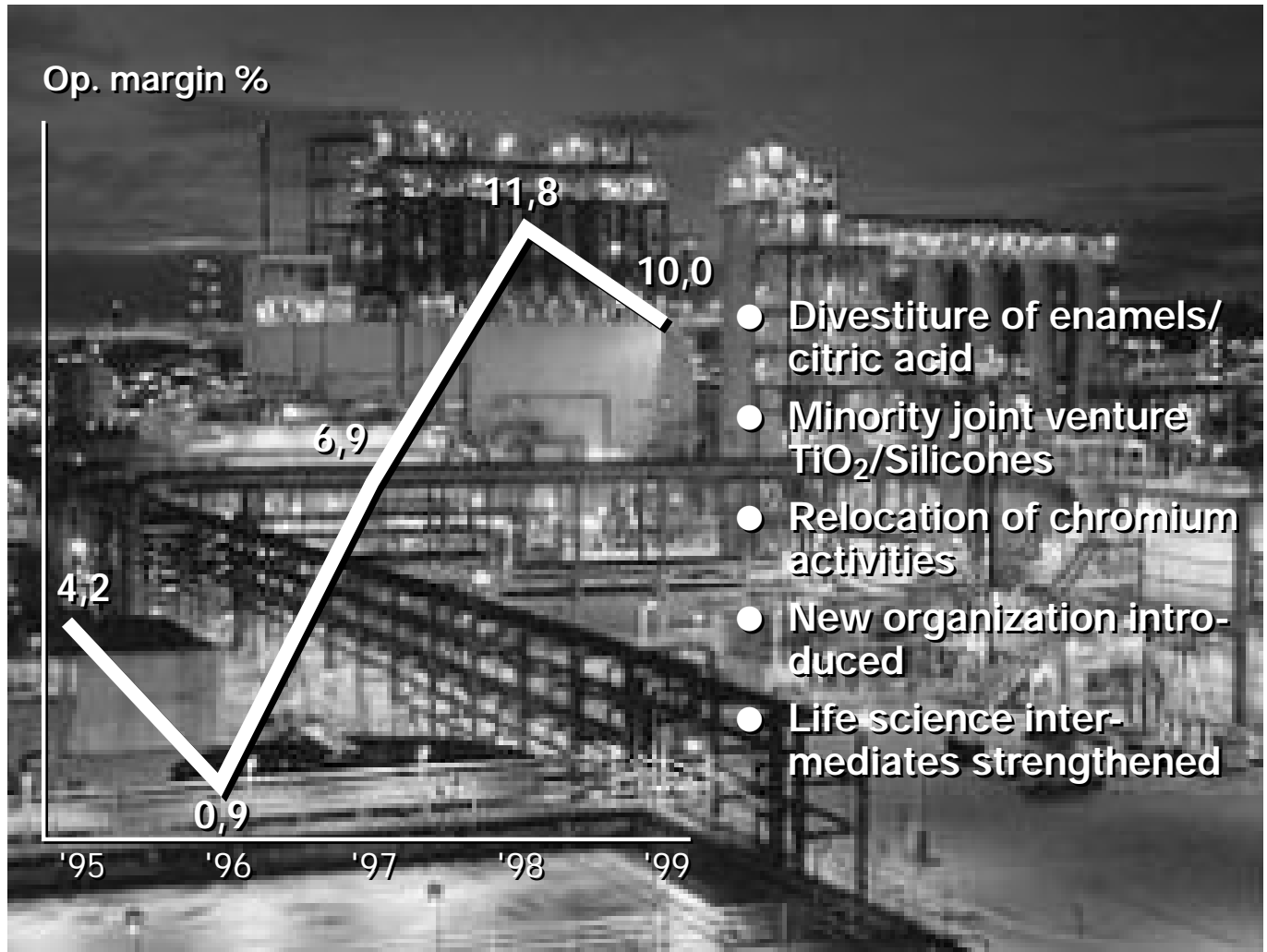
Participating
in industry
consolidation

Expanding
global
leadership

Improving
profitability

- ▶ Focus on specialities
- ▶ Strict cost management
- ▶ Further restructuring
- ▶ Streamlining of portfolio
- ▶ DyStar – enlarged joint-venture

Chemicals – Restructuring efforts bearing fruit

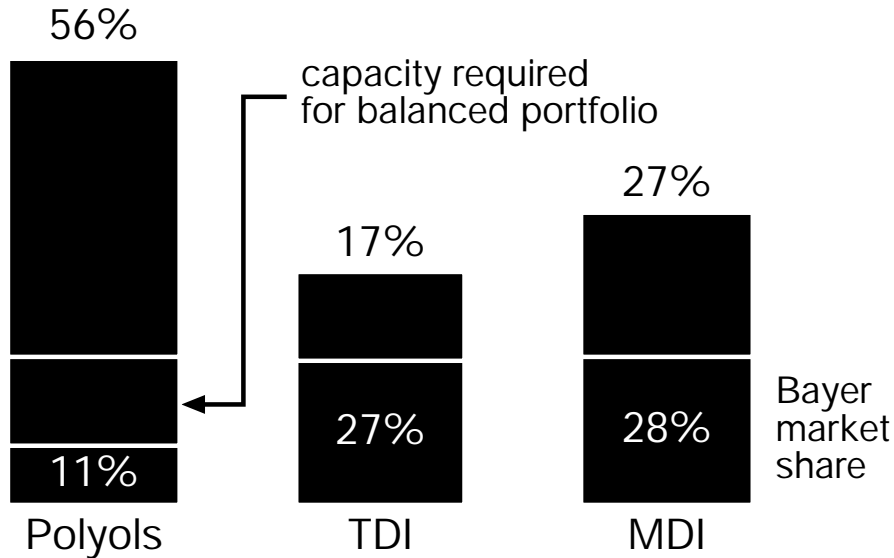


Bayer – An excellent investment

- Clear corporate vision
- Focus on value creation
- Excellent positions in core businesses
- Strong growth potential
- Improvement of profitability
- Strong balance sheet
- Open and reliable partner for capital markets

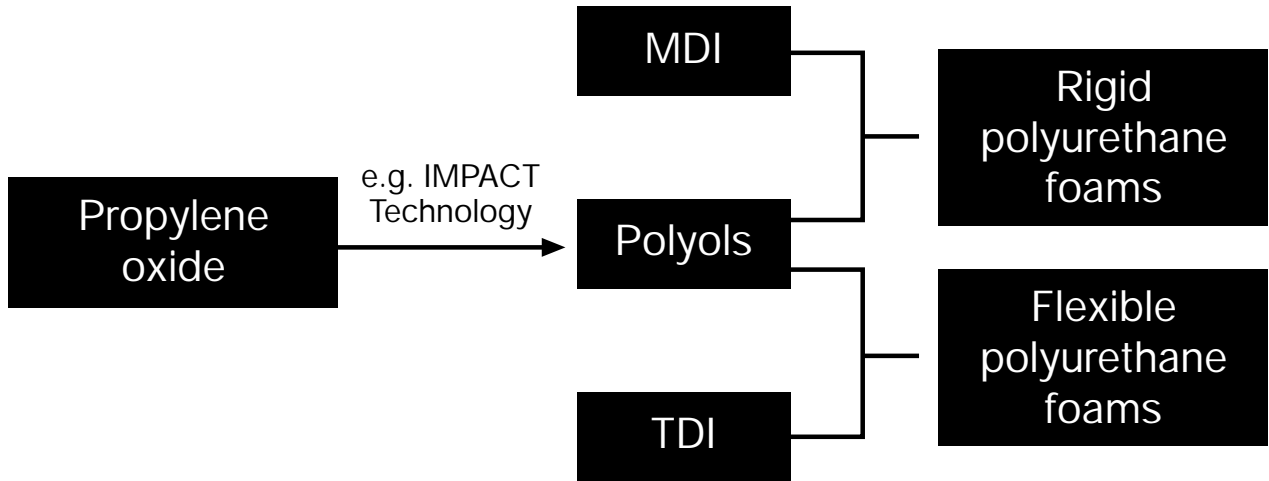
Strategic gap closed

World PU market: 7.5m t/year



- Weak position in polyols compared to TDI/MDI capacities
 - Customer oriented system solutions require access to additional polyol capacities
 - Challenges of changing competitive landscape addressed
- ⇒ 90 percent of capacities for well-balanced portfolio achieved

Control over the entire value chain



- Isocyanate chemistry is a core activity with excellent growth prospects
- World leader in isocyanates
- Polyols are technology carriers for the production of polyurethanes
- Cost efficient propylene oxide supply secured
- Technology base broadened

Pharma Pipeline – Important Development Projects

Launch Date	Peak Sales Potential (€, million)		
1999	850	Avelox	(Bacterial Inf.)
2000	125**	Baynas	(Allerg. Rhinitis)
2002	450	PDE V Inh.	(Sexual Dysfunct.)
2003	400	Camptoth. Gly.	(Cancer)
2003	300	MTP Inh.	(Hyperlipidemia)
2003	450	Repinotan	(Stroke)
2004	500	Faropenem	(Bacterial Inf.)
2004	650	IL-4 DM	(Asthma)
2004	750	PDE IV Inh.	(Asthma)
2004	1250	PDE IV Inh.	Bronchitis (COPD)
2004	200	Anti-HCMV	(HCMV Inf.)

* US only ** Japan only

1999 Financial Highlights

▼ Sales	Euro	27,320m	-	2.6%
▲ Operating income	Euro	3,357m	+	6.4%
▼ Non-operating result	Euro	- 521m	-	22.0%
▲ After-tax income	Euro	2,018m	+	25.0%
▲ Net income	Euro	2,002m	+	24.0%
▲ Dividend/share	Euro	1.30	+	27.5%

Components of 1999 Sales Trend

	€ mill	%		€ mill
Group sales 1998	28,062	-		
Acquisitions/ Divestitures	-2,245	- 8.0	Acquisitions	+ 649
			• Chiron	+ 504
			• Gustafson	+ 49
			• Sheet business	+ 72
			• Others	+ 24
Divestitures	- 2,894			
			• Agfa	- 2,548
			• TiO ₂ / Silicones	- 244
			• Citric acid	- 102
Changes in consolidated companies	+ 78	+ 0.3		
Volumes*	+ 1,410	+ 5.0		
Prices*	- 561	- 2.0		
Currencies*	+ 576	+ 2.1		
Group sales 1999	27,320	- 2.6		

*rounded

1999 Quarterly Sales Development

€ million	1999	1998	Δ %
Full year	27,320	28,062	- 2.6
• Agfa	(1,801)	(4,349)	
• DyStar	(325)	(361)	
• Continuing operations	25,194	23,352	+ 7.9
4 th Quarter	6,821	6,887	- 1.0
• Agfa	(14)	(1,080)	
• DyStar	(325)	(361)	
• Continuing operations	6,482	5,446	+ 19.0
3 rd Quarter	6,275	6,661	- 5.8
• Agfa	(9)	(1,055)	
• Continuing operations	6,266	5,606	+ 11.8
2 nd Quarter	7,230	7,182	+ 0.7
• Agfa	(752)	(1,172)	
• Continuing operations	6,478	6,010	+ 7.8
1 st Quarter	6,994	7,332	- 4.6
• Agfa	(1,026)	(1,042)	
• Continuing operations	5,968	6,290	- 5.1

1999 Comparable Operating Income

€ million

	1999	1998	Δ %
OPI reported	3,357	3,155	+ 6.4
Discontinuing operations	(79)	(269)	

● Agfa OPI ('99 only 1–5)	(103)	(263)	
● DyStar	24	(6)	
Agfa IPO & Sale	(1,030)		
Reconciliation	423	251	
Segments	2,671	3,137	– 14.9
Reconciliation	(423)	(251)	
OPI continuing operations	2,248	2,886	– 22.1
Exceptional Items	573	47	
OPI underlying – continuing operations	2,821	2,933	– 3.8

1999 Quarterly OPI Development

€ million	1999	1998	Δ %
4 th Quarter	177	688	- 74.3
• Agfa OPI		(45)	
• Agfa IPO & Sale	(10)		
• DyStar	24	(6)	
• Exceptional Items	438	(43)	
• OPI underlying - continuing operations	629	594	+ 5.9
3 rd Quarter	624	758	- 17.7
• Agfa OPI		(67)	
• Agfa Sale	(67)		
• Exceptional Items	87	4	
• OPI underlying - continuing operations	644	695	- 7.3
2 nd Quarter	1,766	867	+103.7
• Agfa OPI ('99 only 4-5)	(34)	(86)	
• Agfa IPO	(952)		
• Exceptional Items	60	(28)	
• OPI underlying - continuing operations	840	753	+ 11.6
1 st Quarter	790	842	- 6.2
• Agfa OPI 1-3 '99	(70)	(65)	
• Exceptional Items	(12)	114	
• OPI underlying - continuing operations	708	891	- 20.5

1999 Exceptional Items

€ mill	1999			1998			Δ Net
	Charge	Gain	Net	Charge	Gain	Net	
Health Care	- 248	+ 1	- 247	- 29	+ 61	+ 32	- 279
Agriculture	- 51	+ 64	+ 13	- 2	0	- 2	+ 15
Polymers	- 244	0	- 244	- 93	0	- 93	- 151
Chemicals	- 52	+ 8	- 44	- 78	+ 2	- 76	+ 32
Reconciliation	- 51	0	- 51	- 38	+ 130	+ 92	- 143
Total	- 646	+ 73	- 573	- 240	193	- 47	- 526

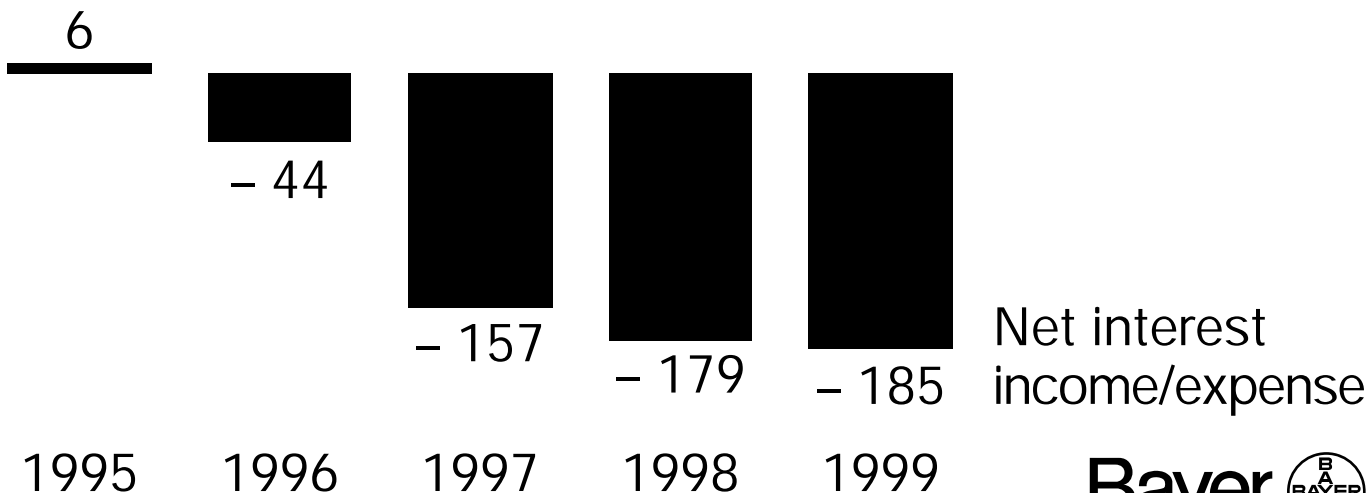
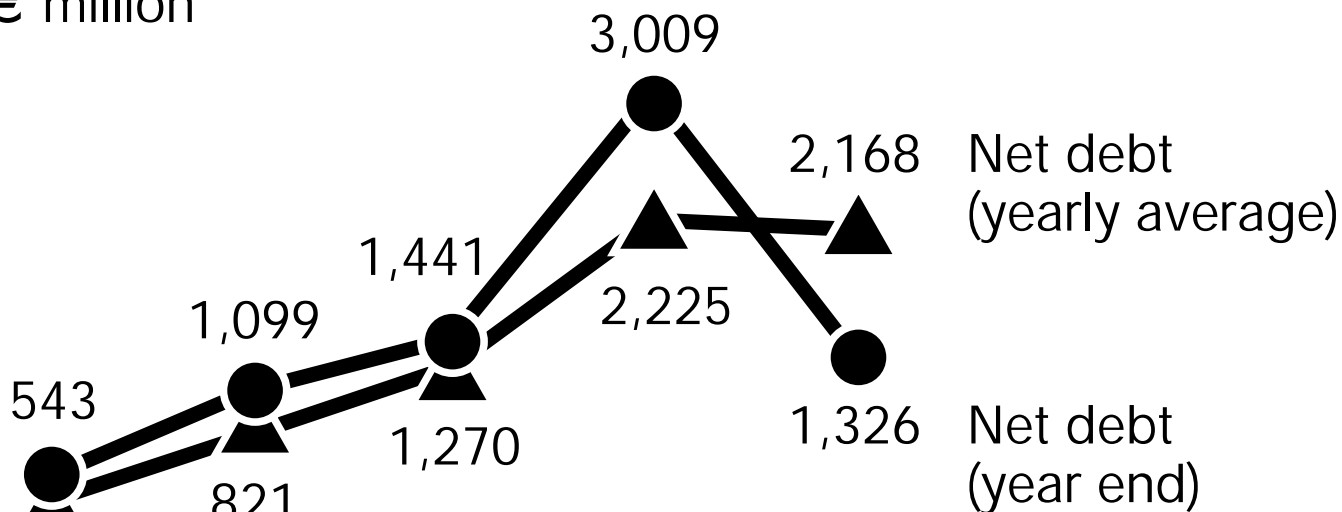
1999 OPI Development

€ million

Sales continuing	25,194	+ 7.9 %
OPI-underlying continuing operations	2,821	- 3.8 %
● Chiron integration	81	
● Biological products	70	
● Y2K	122	
● SAP	64	
OPI-adjusted	3,158	+ 7.7 %
Research & Development continuing operations	+ 330	+ 18.2 %

Net Debt and Net Interest Charge

€ million



1999 Non-operating Result

€ million

	1999	1998
Income from affiliated companies-net	- 31	21
Net interest charge	- 185	- 179
Interest on pension provisions & other expenses-net	- 305	- 269
Total	<u>- 521</u>	<u>- 427</u>

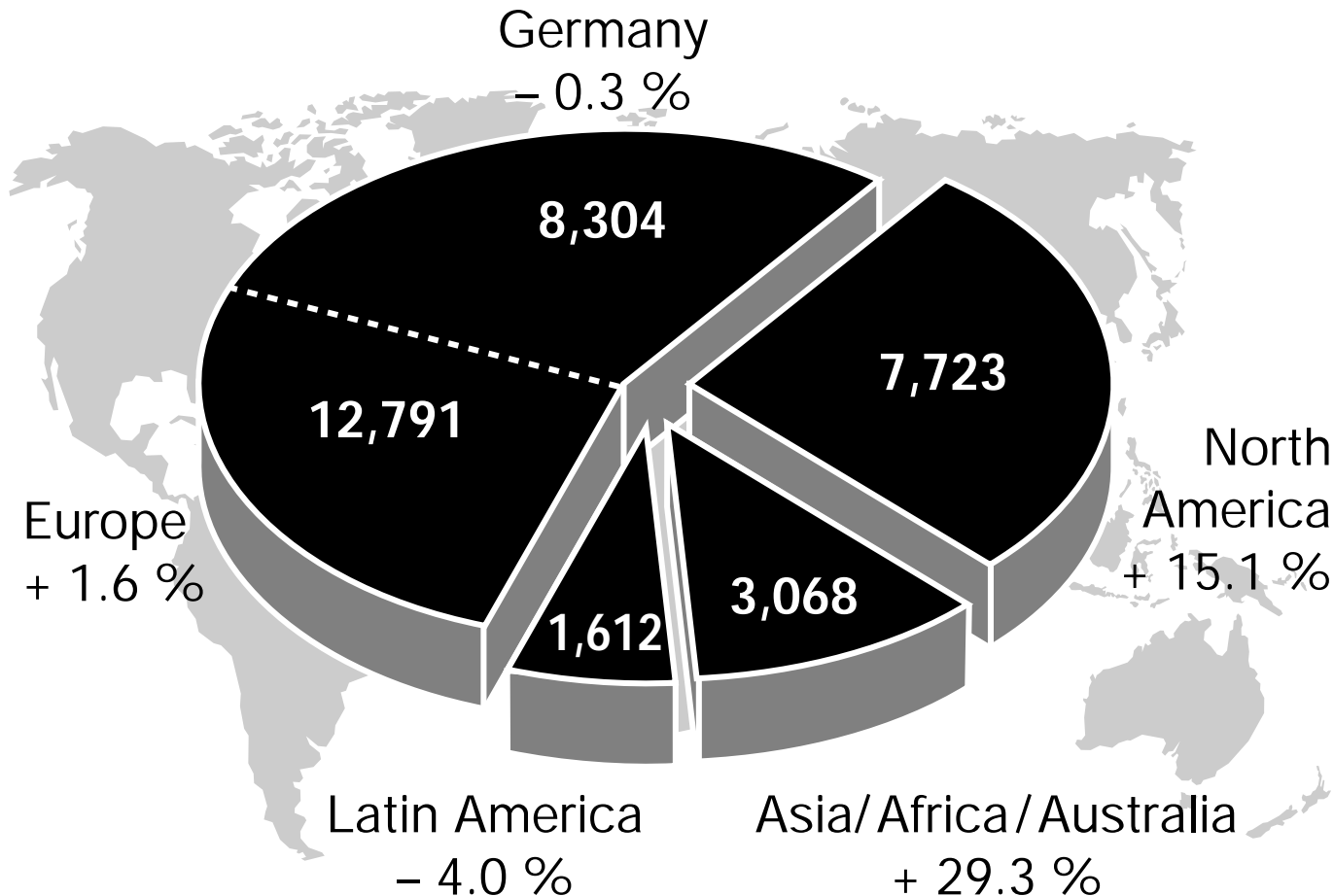
1999 Sales by Region

Total € 27,320 million, - 2.6 %

Continuing Operations € 25,194 million, + 7.9 %

Germany

- 0.3 %

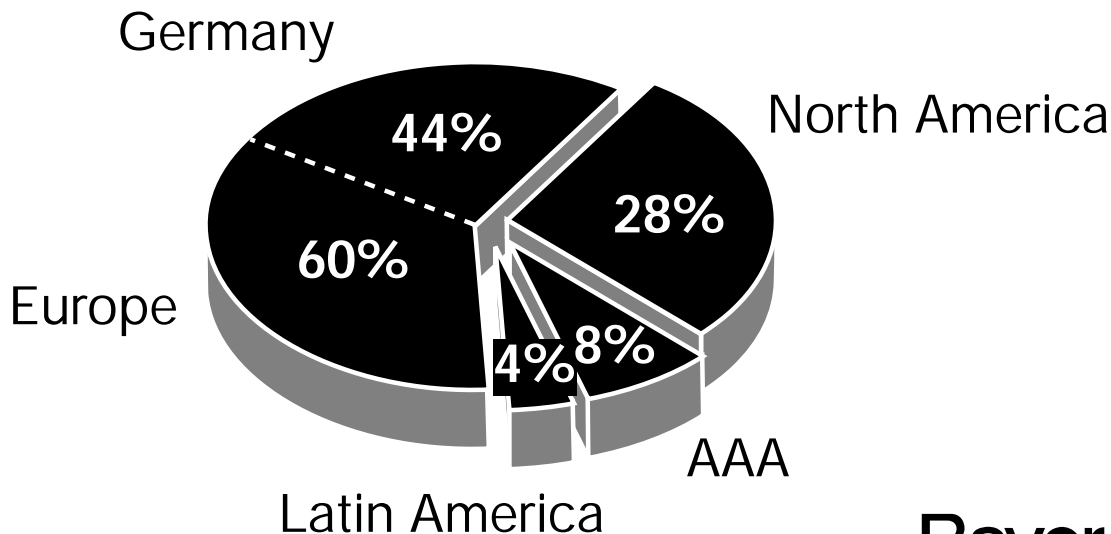
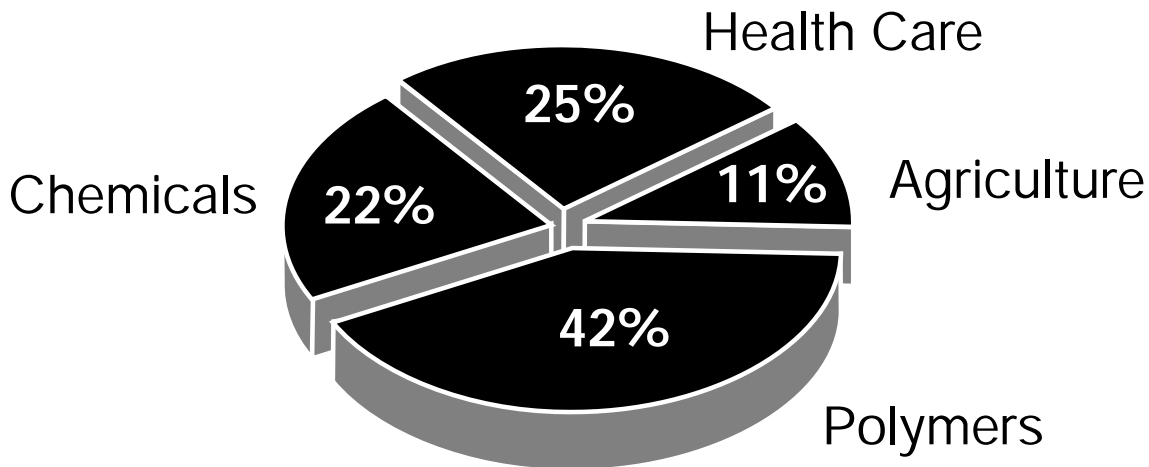


point of origin

Bayer 

2000 Capital Spending Budget

Total € 2,350 – 10.4 %



Stock-Option Plan – Value Creation Incentivized

Authorized

Board members and first
management level

Prerequisite

Individual investment

Maturity

3 – 5 years, revolving yearly

Exercise
hurdle I

30 percent performance of shares

Exercise
hurdle II

Outperformance of EURO STOXX 50

Exercise
hurdle III

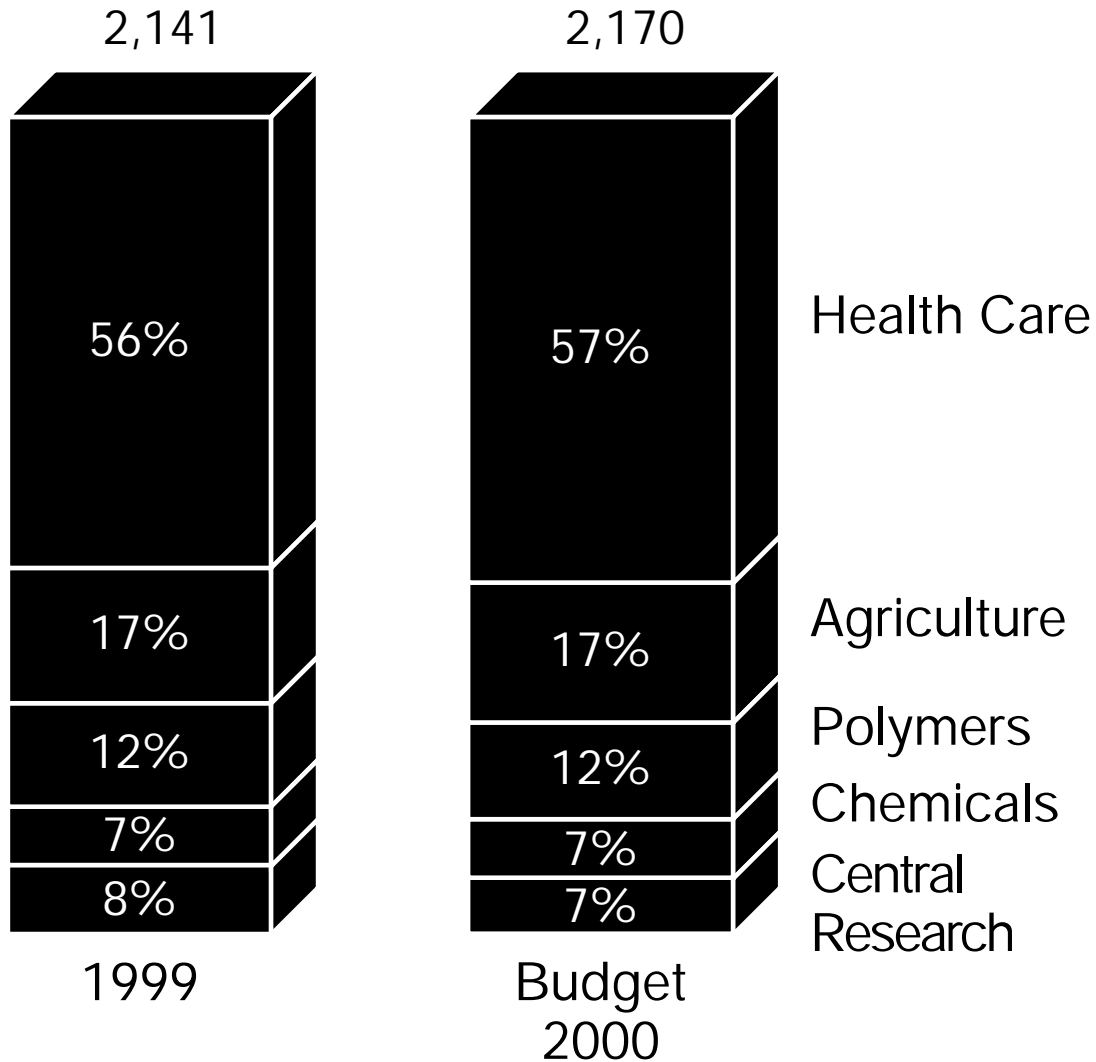
Value creation through link to Δ CVA

Introduction

January 1st 2000

R & D Expenditures

€ million



Outlook 2000

Sales \approx 27 bn

OPI underlying-
continuing operations $>$ 2.8 bn