

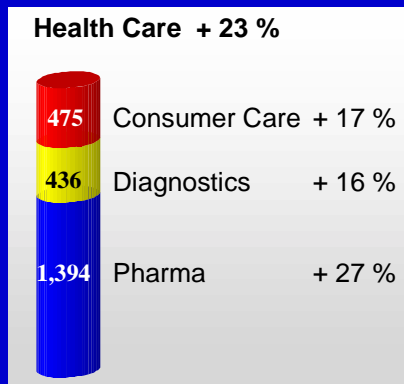
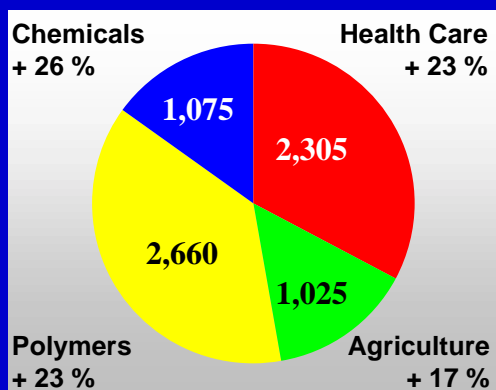
Bayer Pharma 2000: Performance, Targets, Outlook

Dr. David Ebsworth
President
Bayer Pharma

Goldman Sachs Health Care Conference
Laguna Niguel, June 13, 2000



Bayer Q1 2000 **Net Sales in EURO Million** **7,331**
 Growth 2000/1999 (Cont. Operations) + 23 %
 Growth 2000/1999 in LC (Cont. Operations) + 15 %









Bayer Pharma Q1 2000

Net Sales in EURO Million **1,394**






Growth 2000/1999 + 27 %

Growth 2000/1999 in LC + 14 %

Net Sales in EURO Million	Q1 2000	± 1999	± LC
USA 	573	+43%	+24%
Japan 	170	+59%	+24%
Germany 	115	-12%	-12%
France 	64	+7%	+7%
Canada 	63	+37%	+13%
Italy 	63	+0%	+0%



Top Products 2000: Doubling Baycol Sales on Track

Net Sales in EURO Million	Q1 2000	± 1999
Cipro® 	440	+29%
Adalat® 	294	+36%
Baycol® 	131	+118%
Kogenate® 	92	+3%
Avelox™ 	29	•



Major Achievements 2000

- **Growth (+ 27 %) above market (+ 23 %)**
 - Cipro® : Continuing strong growth (+ 29 %)
 - Adalat® : Growing (+ 36 %) and enforcing legal position
 - Baycol® : On track for doubling 1999 sales (+ 118 %)
 - Avelox™ : Sound performance in competitive markets (23 launches)
- **Restructuring: Basics divested, Schein divestment agreement signed**
- **Major strategic projects launched in Medical and Marketing**
 - Continuing expansion of Research technology platform
 - Baynas™ launched, Vardenafil and Repinotan moved into Phase III
 - Viadur™ in-licensed from Alza Corporation
- **New management team**

Growth figures: Q1 2000 vs Q1 1999



Improve Profitability

**Drive Key
Products**

**Increase
Efficiency**

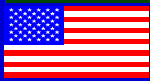
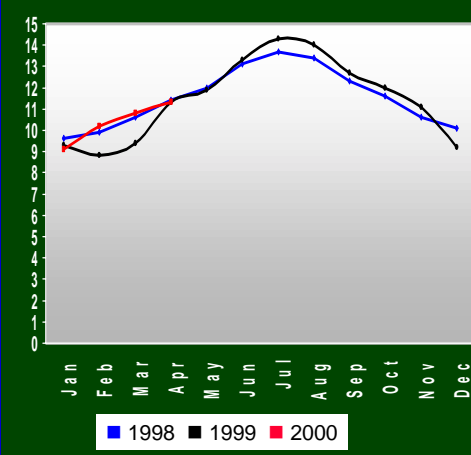
**People
Communications
Culture**

Build the Pipeline

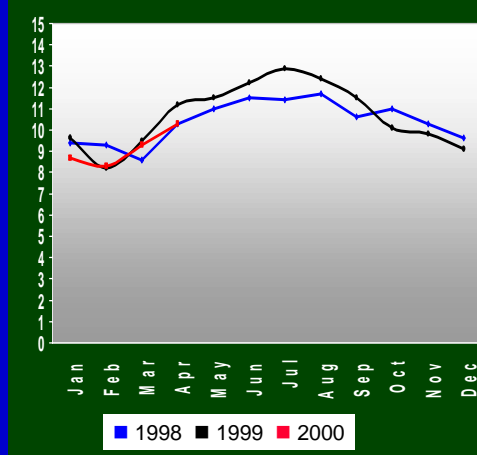


Cipro®: Maintaining Market Share despite new Quinolone Launches

US: Cipro® Share of Total Rx's by Month



GE: Cipro® Share of Total Rx's by Month



**The ideal
respiratory antibiotic
providing
reliable efficacy
now and in the future**

**Once Daily Dosing
5 Day Therapy in
Acute Exacerbation
of Chronic Bronchitis
Penetrates Tissues
Quickly**



Avelox™: Key Product Characteristics

Developed in 1,087 days (IND-Approval): 33% less than industry standard

Clinical and Bacteriological Response

Responses	Clinical	Bacteriological
■ Acute Exacerbation of Chronic Bronchitis	89 %	92 %
■ Community Acquired Pneumonia	94 %	91 %
■ Acute Sinusitis	92 %	96 %

Safety and Tolerability Profile

- No phototoxicity, no dosage adjustment for renal impairment or mild hepatic insufficiency
- Low CNS side effects (dizziness < 3 %) and low discontinuation rates (3.3 %) in clinical trials



Avelox™: Successful Launches in Key Markets

- **Germany:** Single brand launch achieves highest market penetration of any antibiotic in market history
- **Spain:** Three brands launched with partners, together with partners achieved 16 % of quinolone market in third month
- **US:** Solid start but below Gatifloxacin, resources increase in Q2 2000

Worldwide:	Submitted in 76 countries, approved in 35 countries, launched in 26 countries
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Avelox™: Safety

Avelox™ (Moxifloxacin)

- Clinical experience in Phase III: **2,650** patients with ECG
- Moxifloxacin has been shown to prolong the QT interval of the electrocardiogram in some patients. The drug should be avoided in patients with...



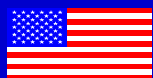
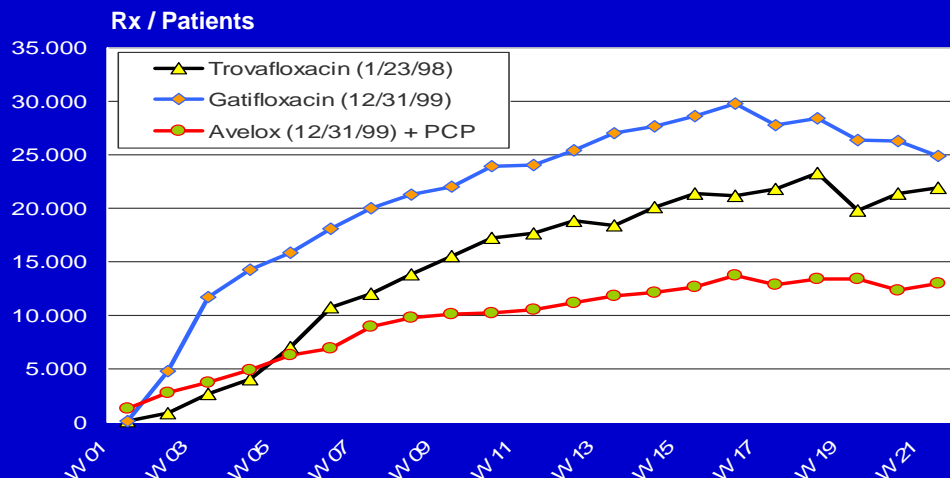
WITH OVER 1.2 MILLION EXPOSURES
AVELOX™ CONTINUES TO HAVE AN
EXCELLENT SAFETY PROFILE

Gatifloxacin

- Clinical experience in Phase III: **0** patients with ECG
- Gatifloxacin may have the potential to prolong the QT interval of the electrocardiogram in some patients. Due to the lack of clinical experience, gatifloxacin should be avoided in patients with...



Avelox™: US Performance Since Launch



Avelox™ Life Cycle Management: Challenges

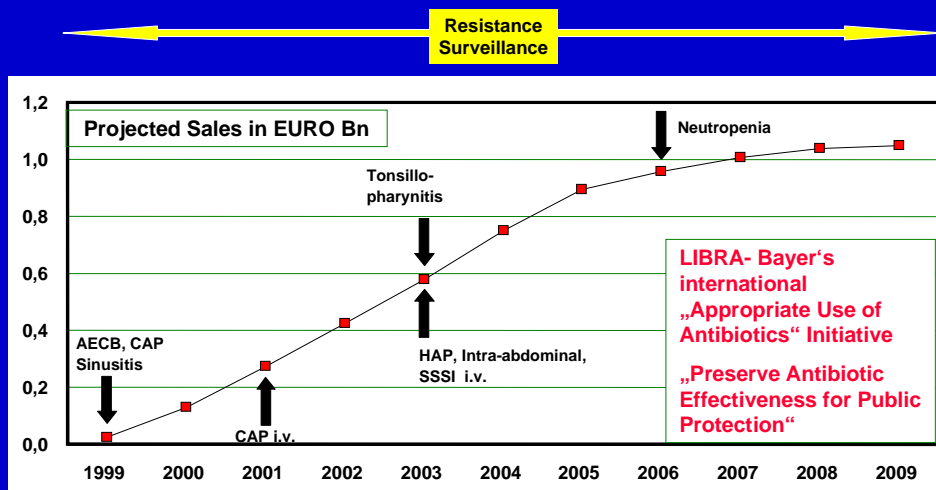
Full Development and Exploitation of Product Potential

By

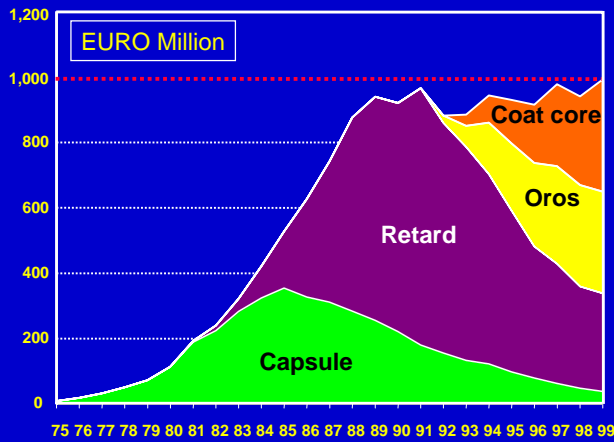
- **Adding Resources to Marketing & Sales in the US**
 - Shifting Sales Force capacity to Avelox™
 - Co-Promotion arrangement with Alza Corporation
 - Additional P & I resources
 - Further increase in share of voice under consideration
- **Accelerating Roll-Out in Europe, Canada, and Overseas**
 - Launches in 40 countries by end of 2000 planned
 - Launched already in 26 countries
- **Developing Further Indications and IV Formulation**



Avelox™: Full Development and Exploitation of Product Potential



Adalat® Life Cycle Management: Achievements

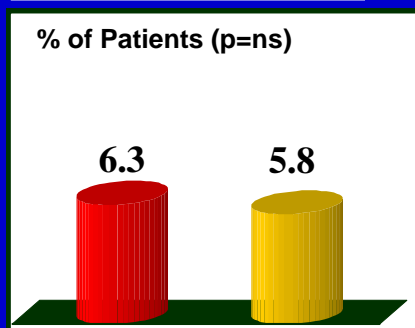


- **INSIGHT** results to be published June 2000 (ESH Gothenburg)
- **CV Symposium Berlin** May 2000
- **ACTION** results to be published 2003
- **ENCORE I** results to be published Q4 2000
- **ENCORE II** results to be published Q1 2002

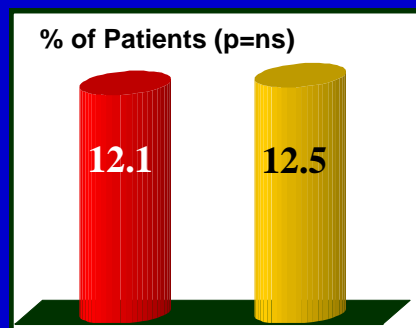


INSIGHT Study: Main Clinical Outcome

■ Adalat® XL ■ Active Control



Primary Endpoints:
Myocardial Infarction, Sudden Death, Stroke, Heart Failure, Other CV Death

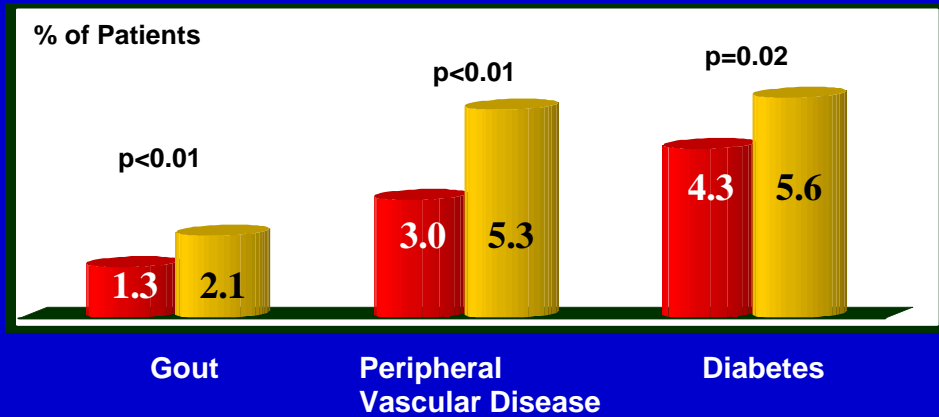


Sum of Primary and Secondary Endpoints:
All CV Morbidity & Mortality plus Non-CV Mortality



INSIGHT Study: Emergence of New Diseases

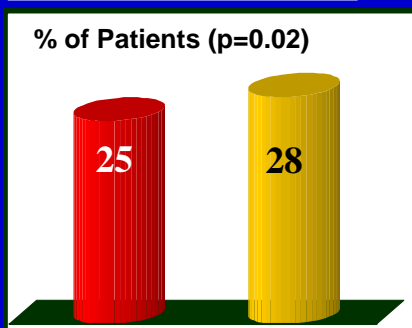
■ Adalat® XL ■ Active Control



Bayer 

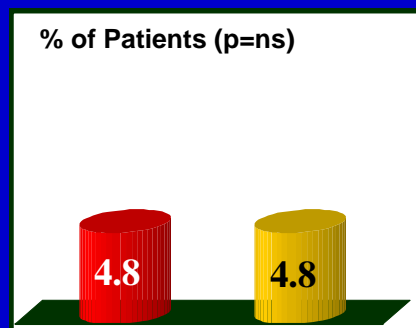
INSIGHT Study: Long Term Safety

■ Adalat® XL ■ Active Control



Serious Adverse Events:

Adverse events that are fatal / life-threatening / disabling / result in hospitalization or prolongation of hospitalization



Total Mortality

Bayer 

INSIGHT Study: Conclusions

ADALAT® *reduces cardiovascular risk by 50 %* in hypertensive patients with additional risk factors

ADALAT® *matches* the cardiovascular protection of the best products in the market place

ADALAT® is effective *in preventing cardiovascular or cerebrovascular complications*

ADALAT® is an appropriate *first line therapy* in hypertension

Study results will contribute significantly to protecting our ADALAT® franchise in the EU and Japan



Adalat®: The Challenge of Patent Enforcement in US and Canada

Teva has launched a generic version of 30mg Adalat® CC in the US. To date, impact is limited to that strength

Litigation is ongoing

- Bayer brought patent infringement suits in the United States against generic pharmaceutical companies to enforce its nifedipine formulation patent
- Suits were triggered by Mylan, Elan, Biovail, LEK and Martec each filing separate Abbreviated New Drug Applications seeking FDA approval of generic versions of Bayer's Adalat® CC and/or Pfizer's Procardia XL products
- Another suit was brought on May 8, 2000 against Teva, Biovail and Elan Pharma and Elan Corp. based on Teva's commercial sale of Elan's 30mg generic to Adalat® CC



Baycol®: Successful Marketing with Partners



US: SmithKline Beecham



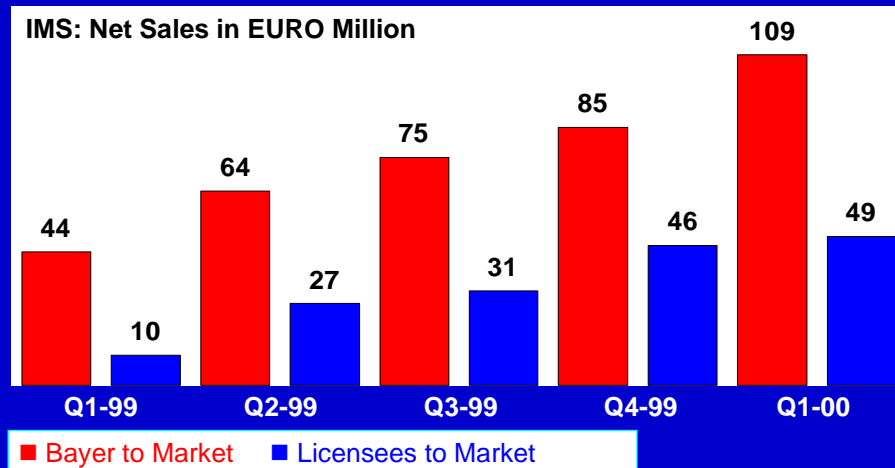
EU: Fournier



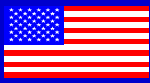
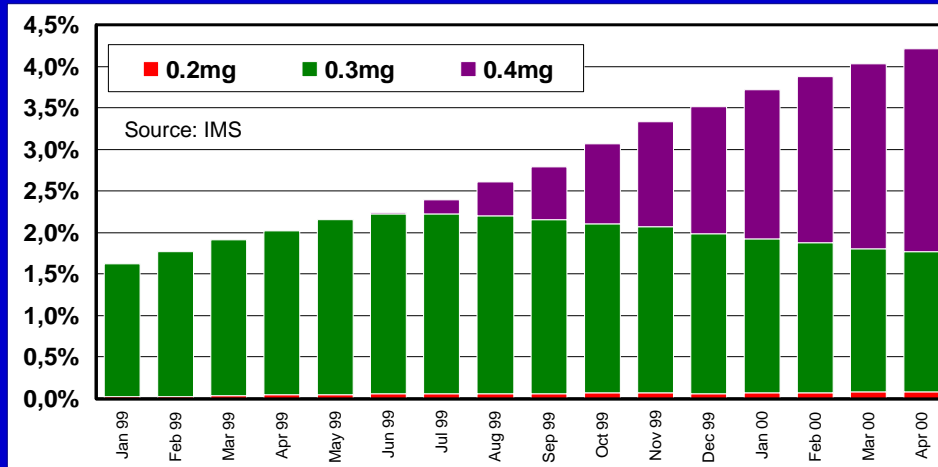
Japan: Takeda



Baycol®: Partners add 50% to Bayer



Baycol® US: Total Rx Market Shares Jan 1999 - Apr 2000



Baycol® Life Cycle Management: Opportunities

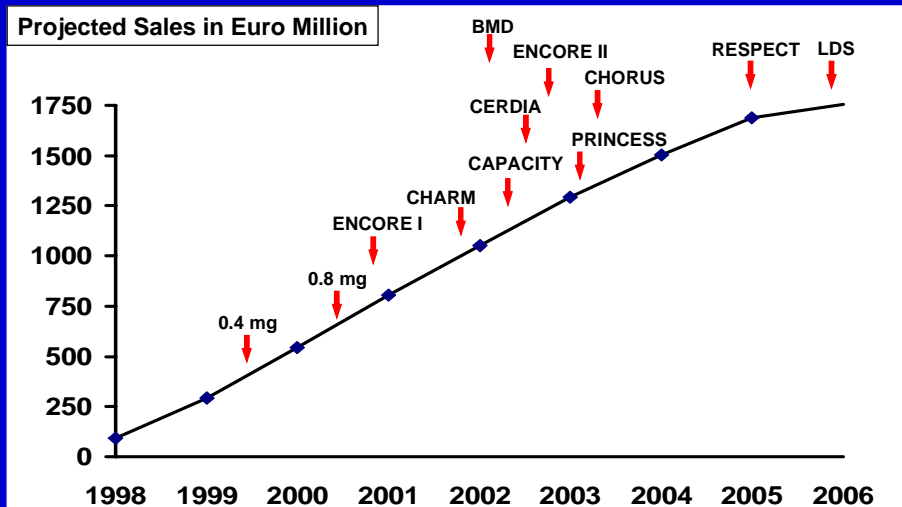
Full Development and Exploitation of Product Potential

By

- **Higher dosages:** Clinical equivalence to competitive products with 0.4mg and 0.8mg
- **Differentiation:**
 - Going beyond LDL-C reduction:** Investigating use in endothelial function, prevention of arteriosclerosis, plaque stabilization, osteoporosis
 - Intervention studies:** Prevention of stroke in the elderly, myocardial infarction in diabetics, mortality in end stage renal disease, recurrent myocardial infarction



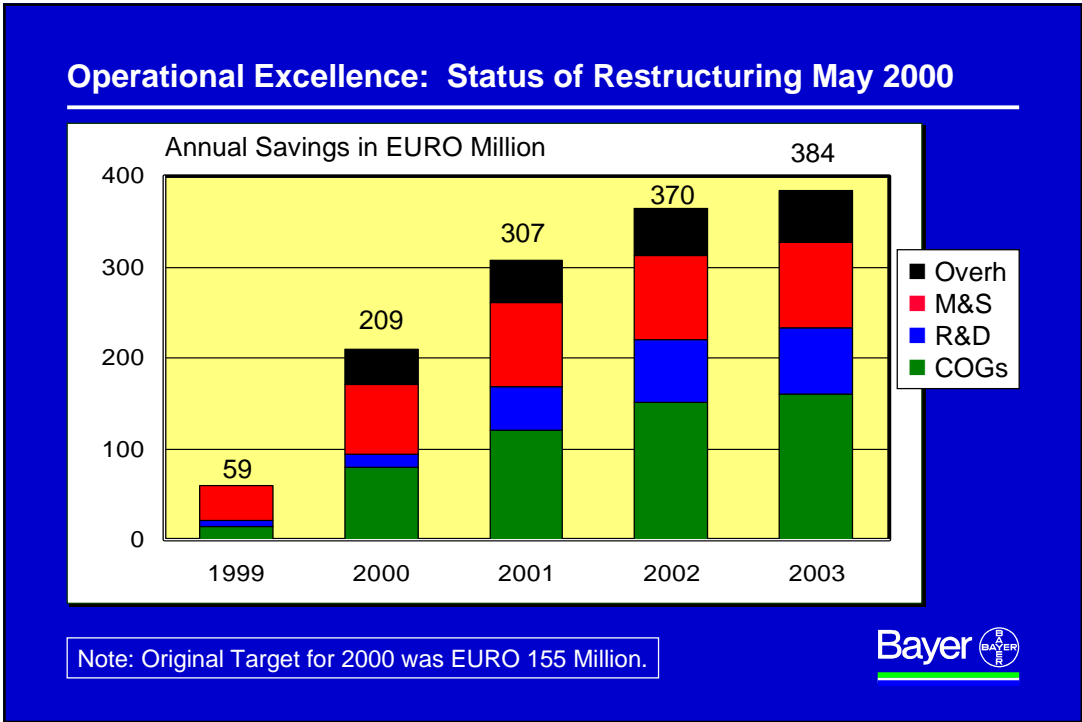
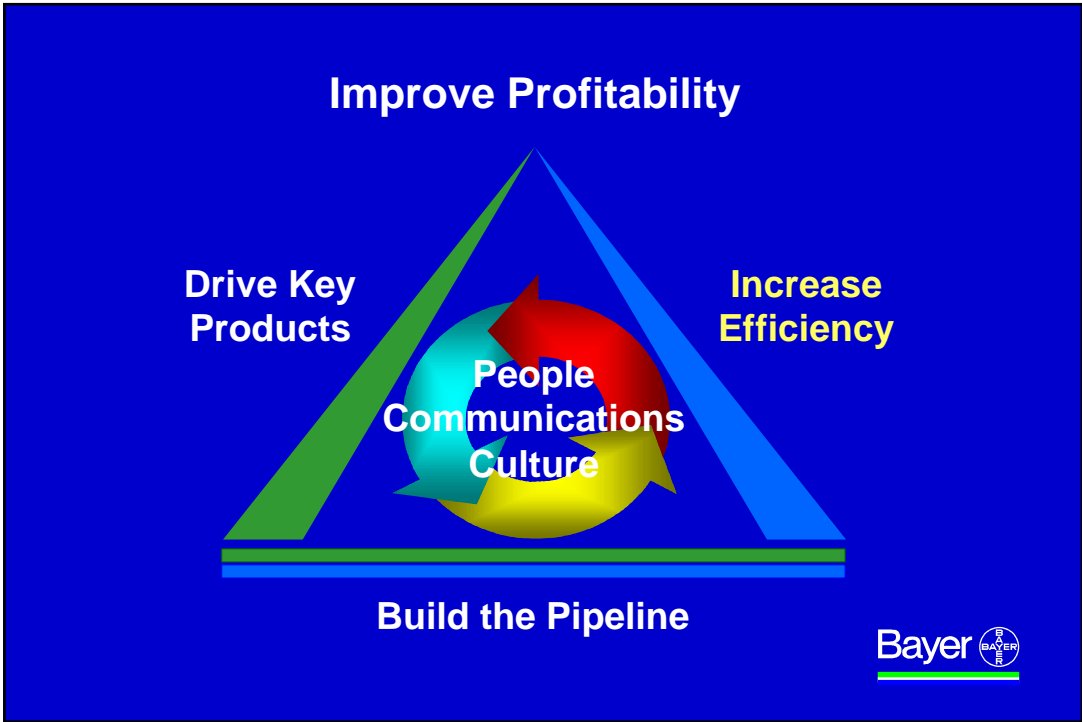
Baycol® : Full Development and Exploitation of Product Potential



Kogenate®: Registration on Track, Investment Ongoing

- **Kogenate® FS approval expected for Q3 2000 in US and EU**
- **Solving production problems on track**
- **\$ 600 million** R&D + Technical Operations invested in recombinant technology significantly enhancing the safety of hemophilia products
- Over the next 5 years scheduled investment > **\$ 500 million**
(Second Kogenate® FS production suite, new filling & freeze drying facility, Kogenate® - 3, gene therapy)





Operational Excellence: Major Projects

■ Research to Development Transition (R2DT)

Optimizing pre-clinical development
Early Go / No Go - decisions

■ Re-Directing Medical

Optimizing skills, resources, and structures
Sourcing

■ Marketing & Sales Excellence

Optimizing skills, resources, and structures

■ Operations

Worldwide manufacturing network
Reduction of product portfolio through product divestiture and
cessation of commercialization



Re-Directing Medical: Skills, Resources, Structures, Sourcing

Objective

Optimization of global Bayer Medical Organization and cost savings

Focus

Design, analysis, interpretation and communication of clinical programs
Efficiency of clinical trial operations
Drug safety capabilities

Deliverables: Efficiency Improvement and Cost Savings through

Newly designed global processes
Definition of respective skills and capabilities
Development of optimal structure



Re-Directing Medical: Benefits



Cost Savings and Productivity Improvement

EURO 60 million annually



Time

Critical time reduction of 6 months in product development



Quality

Substantial quality improvements

Flexibility

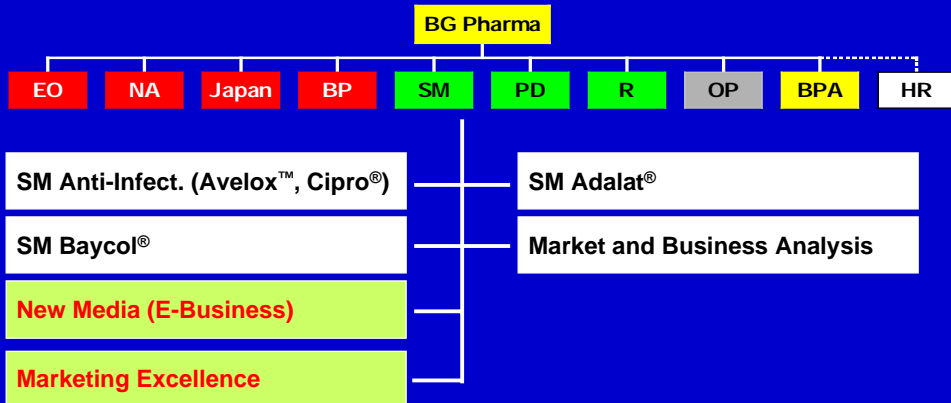
Increased flexibility by increased outsourcing



Marketing Excellence: Cornerstones of Strategic Marketing



Strategic Marketing: Key Functions will be Located in the US



Note: New Functions



Improve Profitability

Drive Key Products

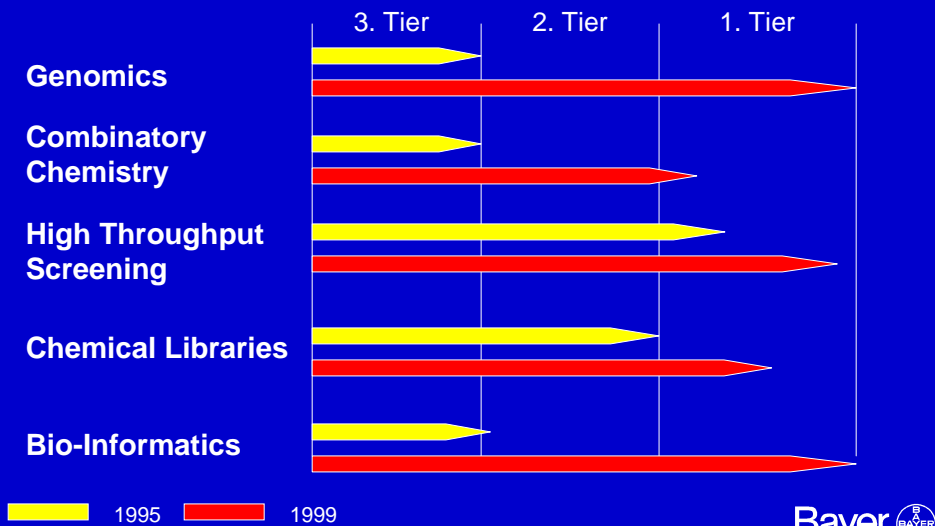
Increase Efficiency

People
Communications
Culture

Build the Pipeline



Top Tier Status in all Key Research Technologies Achieved



NPV of Product Portfolio 2000/1999: + 15 %

■ Projected Line Extensions of Marketed Products

Baycol® 0.8mg, Cipro® OD and pediatric use, Avelox™ IV

■ Development Projects Moving into later Stages

Vardenafil (PDE V Inhibitor), PDE IV Inhibitor

■ In-Licensing of Faropenem from Suntory

■ 10 New Development Candidates

Pipeline Peak Sales Potential

Expected Launch	Peak Sales Potential (Euro Million)		
1999	1050	Avelox™	(Bacterial Inf.)
2000	100 (Japan)	Baynas™	(Allerg. Rhinitis)
2001	150 (USA)	Viadur™	(Cancer)
2002	900	Vardenafil	(Sex. Dysfunct.)
2003	325	Cipro® OD	(Bacterial Inf.)
2003	450	Repinotan	(Stroke, TBI)
2003	400	Taxane analog	(Cancer)
2003	400	Camptoth.Gly.	(Cancer)
2003	500	Faropenem	(Bacterial Inf.)
2003	300	Implitapide	(Hyperlipidemia)
2004	650	IL- 4 RA	(Asthma)
2004	750	PDE4 Inh.	(Asthma)
2004	1250	PDE4 Inh.	(COPD)

Note: Products expected to be launched up to 2004



Viadur™ In-Licensed from Alza Corporation (California)

- Leuprolide (LHRH-Agonist)-filled, miniature titanium **implant**
- Placed under the skin delivering palliative therapy to the patient for a **period of one full year**
- Provides an alternative to more frequent injections
- First and only product to provide continuous, 12-month testosterone suppression with a **single treatment**
- **Unique treatment**, first approved formulation with ALZA DUROS™ implant technology
- NDA approval: March 2000, **available to patients by early next year**
- Bayer will have commercial rights to Viadur™ in the **US through 2015**



Innovation, Partnering, Focus US: The Cancer Portfolio

■ Innovation

Directed at treatment, prevention and diagnosis of major solid tumors
Co-Operation with Bayer Diagnostics, which after the integration of Chiron is well poised to establish a leadership position in oncology
Internal research focus is on **angiogenesis inhibition, oncogenes and cell cycling, hormonal intervention, 1/3 of Millennium genomic targets**

■ Partnering to Speed Up Establishing the Oncology Franchise and to Build on Urology Expertise

In-Licensing Viadur™ from Alza Corporation

In-Licensing IDN 5109 from Indena

■ Focus US

Viadur™ in-licensed for the US will contribute to building the organization



Cancer Portfolio

Five Development Programs

Project	Status	Launch anticipated for
■ Viadur™	Approved	2001
■ Camptothecin Glycoconjugate	PH I	2003
■ Taxane analogue (IDN 5109)	Preclinical	2003
■ IL-2 SA	Preclinical	2004
■ RAF Kinase Inhibitor	Preclinical	2006

Through internal and external programs, we expect to enter the cancer market in 2001 with sales potential of over EURO 1 billion by 2007- 2009



Innovation, Focus US: Vardenafil

Vardenafil: A Potent PDE 5 Inhibitor to Treat Sexual Dysfunction

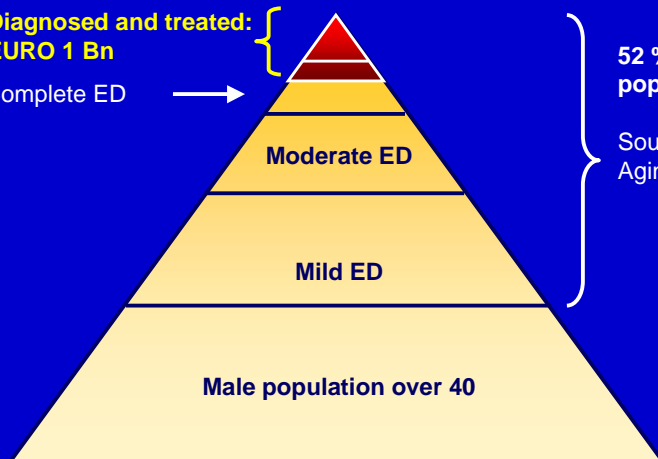
- Selective phosphodiesterase-5-inhibitor
- Impressive activity demonstrated in animal experiments
- Preclinical data showed improved isoenzyme selectivity over other PDE V inhibitors
- Phase II: significant improvements vs placebo, well tolerated
- Phase III started
- **Launch** anticipated for November 2002
- **Focus US:** Vardenafil will contribute significantly to building the US organization



Vardenafil: The Market Place

Diagnosed and treated:
EURO 1 Bn

Complete ED



52 % of 40-70yr old male population

Source: Massachusetts Male Aging Study (MMAS)



Innovation: Targeting Angina as Major Element of CV Portfolio

Four Highly Innovative Cardiovascular Compounds under Development

- **Angina** and hypertension: Guanylate Cyclase Stimulator (GCS)
- **Angina** and Congestive Heart Failure: Cyclic Guanosine Monophosphate Enhancer (cGMP)
- CHD including unstable **Angina** and Myocardial Infarction: Ischemia-Selective Adenosine Enhancer

- Lipid-lowering compound: MTP inhibitor



Innovation: Targeting areas with the highest medical needs

Interleukin-4 RA for Severe Asthmatics

Innovative principle for asthmatic patients

- Elimination of oral steroid use
- Decrease of asthma exacerbation
- Decrease of hospitalizations
- Phase I/II started in Aug 1999, launch anticipated for 2004

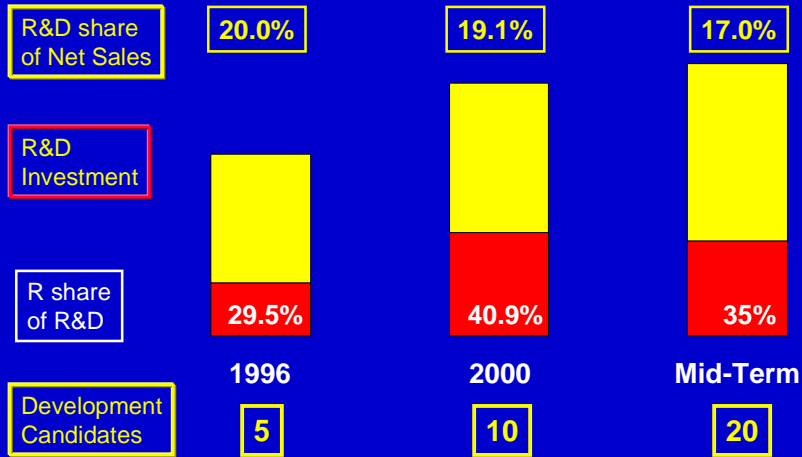
CAP Inhibitor for Cystic Fibrosis

Novel therapeutic approach to improve lung function

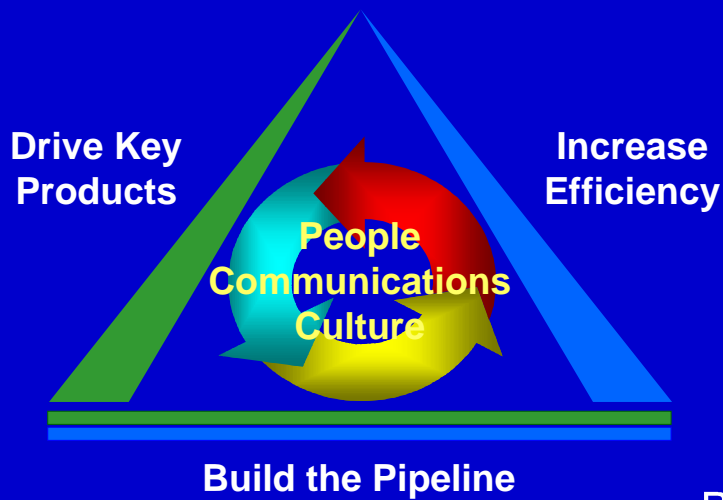
- Low marketing and sales investment
- Excellent return on investment predicted
- Orphan drug status
- Preclinical development started in Dec 1999, launch anticipated for 2004



Continuous Doubling of R&D Productivity



Improve Profitability



New Management:



David Ebsworth
President

Born 1954, Kaduna, Nigeria
PhD Industrial Relations
Joined Bayer in 1983 (Pharma)
Various Posts in PH Marketing, Business Operations, and General Management in Germany, Canada, US, and Worldwide
Previously President, Pharma Division North America, Bayer Corp., West Haven



New Management in North America and Japan



Wolfgang Plischke
North America

Born 1951, Stuttgart, Germany
PhD Biological Sciences
Joined Bayer in 1980 (Diagnostics)
Various Posts in PH Marketing and Sales in Germany and Worldwide
Previously Head of PH Region Japan



Anthony Wynn
Japan

Born 1954, London, England
PhD Biological Sciences
Joined Bayer in 1979 (Diagnostics)
Various Posts in DS Marketing and Sales in UK, US, and Worldwide
Previously Head of DS Region Japan



New Management in Strategic Marketing and Finance



Derek Williams
Strategic Marketing

Born 1958, Bishop Auckland, UK
Business Administration
Joined Bayer in 1983 (Pharma)
Various Posts in PH Marketing and Sales in UK, NL, Canada, and Worldwide
Previously GM HealthCare Division, Bayer Inc., Canada



Markus Arnold
Finance

Born 1963, Hameln, Germany
PhD Law
Joined Bayer in 1994 (Corporate Legal)
Various Posts in Corporate Legal and in Bayer China Group
Previously GM Bayer (China) Ltd.



Major Achievements 2000

- Growth (+ 27 %) above market (+ 23 %)
- Cipro[®] : Continuing strong growth (+ 29 %)
- Adalat[®] : Growing (+ 36 %) and enforcing legal position
- Baycol[®] : On track for doubling 1999 sales (+ 118 %)
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- Restructuring: Basics divested, Schein divestment agreement signed
- Major strategic projects launched in Medical and Marketing
- Continuing expansion of Research technology platform
- Baynas[™] launched, Vardenafil and Repinotan moved into Phase III
- Viadur[™] in-licensed from Alza Corporation
- New management team

Growth figures: Q1 2000 vs Q1 1999



Summary and Outlook

■ Driving Key Products

Promising life cycle management plans for all key products

Adalat®: Ongoing enforcement of legal position in US and Canada, INSIGHT study results will support Adalat® franchise in EU and Japan

Increasing share of voice initiated

■ Increasing Efficiency

Ongoing focusing on core products and countries

Major projects to achieve operational excellence

Restructuring to improve profitability

■ Building the Pipeline

Competitive Research platform established

Alliances deliver (first development project from Millennium)

Value of portfolio increased



22 % in 2002

**Drive Key
Products**

**Increase
Efficiency**

**People
Communications
Culture**

Build the Pipeline

