



Science For A Better Life



**2nd Sal. Oppenheim European Healthcare
Investors Conference 2007**

**Prof. Dr. Andreas Busch
Bayer HealthCare AG**

September 4, 2007

Important Information



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.



- Global leader in specialty pharmaceuticals and consumer care
- Focussed R&D strategy
- Nexavar – A franchise building opportunity
- Rivaroxaban – A new oral anticoagulant



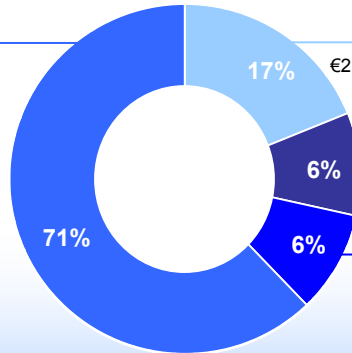
- Global Leader in Specialty Pharmaceuticals and Consumer Care

Global Leader in Specialty Pharmaceuticals and Consumer Health



Pharmaceuticals

€10.2bn (pro forma)
Rx specialty pharmaceuticals,
6 with leading positions in key therapeutic categories



Consumer Care

€2.5bn OTC pharmaceuticals; # 2 with some of the world's most recognized brands

Diabetes Care

€0.8bn blood glucose meters
3-4 with new and improved products

Animal Health

€0.9bn veterinary medicines
4 leading growth and profitability

**HealthCare €14.4bn
2006 pro-forma sales**

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All Businesses Outperformed Their Markets in Fiscal 2006

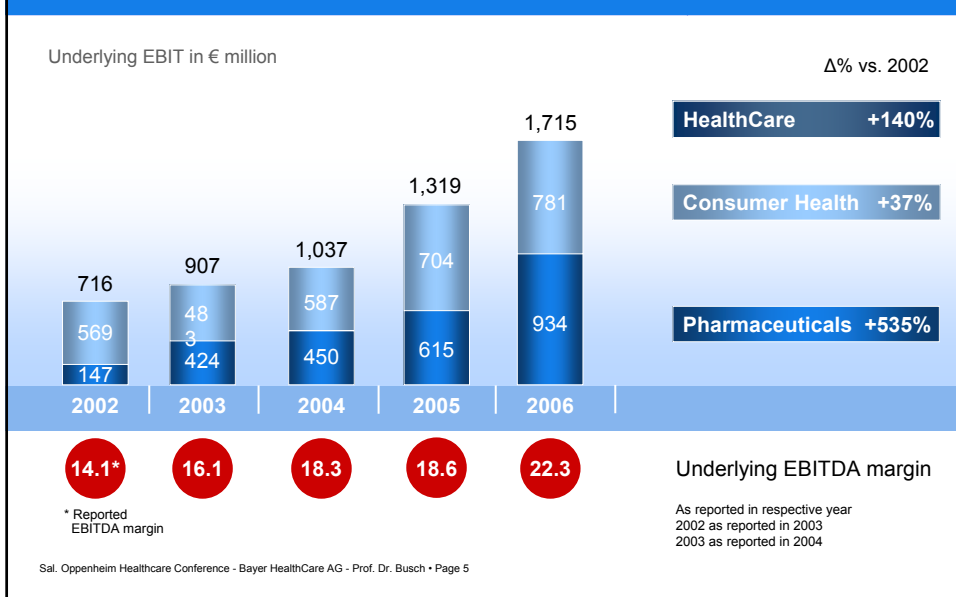


	2006 Sales	Δ %yoy*	2006 market growth	Bayer growth vs. market
Pharmaceuticals (pro-forma)	10.2bn	10%	7%	+ 3pp
Animal Health	0.9bn	6%	4%	+ 2pp
Consumer Care	2.5bn	8%	4%	+ 4pp
Diabetes Care	0.8bn	13%	6%	+ 7pp
Total HealthCare	11.7bn	10%	6%	+ 4pp

*currency and portfolio adjusted

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Substantial Improvement in Profitability in Both Pharma and Consumer Health Businesses



HealthCare – Strategic Objectives



- Successfully **integrate Schering** and build a world-leading specialty pharmaceutical business
- Fully exploit commercial **potential of leadership positions** of key products and brands
- Maximize value of **key pipeline assets**, especially Nexavar and Rivaroxaban
- **Increase return on R&D investments** through improved productivity, higher quality and focus on fewer therapeutic research areas and assets
- Further **invest** in our high growth **Consumer Health** business
- Pursue **external growth opportunities** to complement pipeline and portfolio and to strengthen HealthCare overall

Build on the successful growth momentum and achieve an underlying EBITDA margin of around 28 percent by 2009



■ Focussed R&D strategy

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:

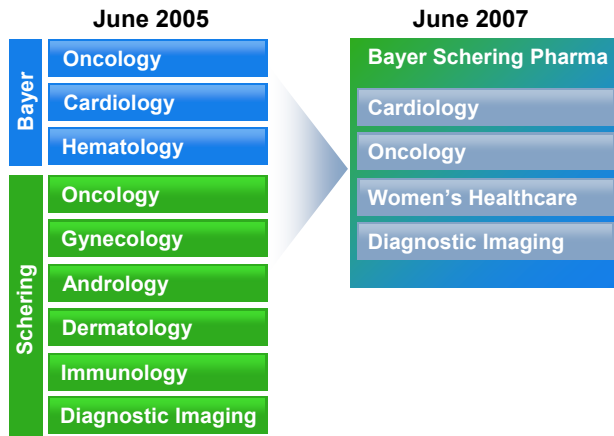
PoC concept and strict progression criteria in research

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

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



As of August 2007	Phase I	Phase II	Phase III	Submitted
No. of projects	14	17	20	9
	<ul style="list-style-type: none"> HT / HF sGC Stimulator PH in COPD Elastase Inhibitor Pancreatic Cancer L19-Interleukin 2 Cancer L19-SIP Cancer L19-TNF Cancer DAST Inhibitor Menopausal Management ERB Agonist Hypogonadism Treatment of Men Gastro IBD Lipoxin DME VEGF Trap-Eye Alzheimer PET Imaging AV127 ACS Aspirin I.v. Fast Dissolving Tablet Levitra Lung Infection Cipro Inhaler 	<ul style="list-style-type: none"> A/Ib / Stable Angina Adenosine A1 Agonist Acute Heart Failure sGC Activator Pulmonary Hypertension sGC Stimulator Breast Cancer ACS Rivaroxaban RCC 1st / 3rd line L19-Interleukin 2 Breast Cancer ZK-PR4 Lung / Ovar / Breast / Prostate Sagopilone (ZK-EPO) Parkinson's Disease Spheramine Gram-neg. VA Pneumonia Amikacin inhale (NKTR-061) Liposomal Formulation Kogonate Breast Cancer Nexavar Additional Indications Nexavar Fertility Control FC Patch Fidencia Fertility Control Valette low Multiple Sclerosis Alemtuzumab MRI (USA, J) Gadovist New Indications Levitra 	<ul style="list-style-type: none"> VTE Prevention Rivaroxaban SPAF Rivaroxaban DVT Treatment Rivaroxaban wet AMD VEGF Trap-Eye Melanoma Nexavar NSCLC Nexavar Ind. / aggr. NHL, 1st line Zevatin CLL 2nd line Campath Bone Metast. Prevent. (Breast Ca.) Bonafos Dysmenorrhea (J) YAZ Fertility Control YAZ Flex FC / Meno Bleeding DUB-OC (E2/DNG) Menorrhagia Mirena Menopausal Management Angeliq low-low Endometriosis Visanne Fertility Control Yasmin plus / YAZ plus Fertility Control LCS (L19-LNG) MS Treatment Betaferon high dose (BEYOND) CT Ultravist 370 New Indications (US) Avelox 	<ul style="list-style-type: none"> CKD (J) Fosrenol Bleeding control rThrombin HCC Nexavar CLL 1st line Campath VMS Menostar transdermal HRT (J) E2 / LNG MRA Magnevist MRA MRI (US, J) Primosist PID / New Indications (EU) Avelox
				<ul style="list-style-type: none"> ■ New Molecular Entities (NME) ■ Life Cycle Management (LCM)

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We have a Promising Oncology Pipeline



As of August 2007	Phase I	Phase II	Phase III	Submitted
No. of projects	14	17	20	9
	HT / HT sGC Stimulator PH in COPD Pancreatic Cancer L19-Interleukin 2 Cancer L19-SIP Cancer L19-TNF Cancer DAST Inhibitor or -ment Castra IBD Lipoxin DME VEGF Trap-Eye Alzheimer PET Imaging AV122K ACS Aspirin I.V. Fast Dissolving Tablet Levitra Lung Infection Cipro Inhaler	A10 / 1000s Arginine Adenosine A1 Agonist Acute Heart Failure sGC Activator Pulmonary Hypertension sGC Stimulator ACS RCC 1st / 3rd line L19-Interleukin 2 Breast Cancer ZK-PRA Lung / Ovar / Breast / Prostate Sagopilone (ZK-EPO) Alveolar cancer (NAX1-001) Liposomal Formulation Breast Cancer Nexavar Additional Indications Nexavar Fertility Control Valette low Multiple Sclerosis Alemtuzumab MRI (USA, J) Gadovist New Indications Levitra	L19 Invention Rivaroxaban SPAF Rivaroxaban Melanoma Nexavar NSCLC Nexavar Ind. / aggr. NHL 1st line Zevalin CLL 2nd line Campath Bone Metast. Prevent. (Breast Ca.) Bonafos DUS-02 (E2DNG) Menopausa Marvent Menopausal Management Angeliq low-low Endometriosis Yasmin Fertility Control Yasmin plus / YAZ plus Fertility Control LCS (L19-LNG) MS Treatment Bataferon high dose (BEYOND) CT Ultravist 370 New Indications (US) Avelox	SRD (J) Fosrenol Bleeding control rThrombolin HCC Nexavar CLL 1st line Campath MRI (J) EZ / LNG MRA Magnevist MRA MRI (US, J) Primovist PID / New Indications (EU) Avelox
				<ul style="list-style-type: none"> ■ New Molecular Entities (NME) ■ Life Cycle Management (LCM)

■ Nexavar – A franchise building opportunity

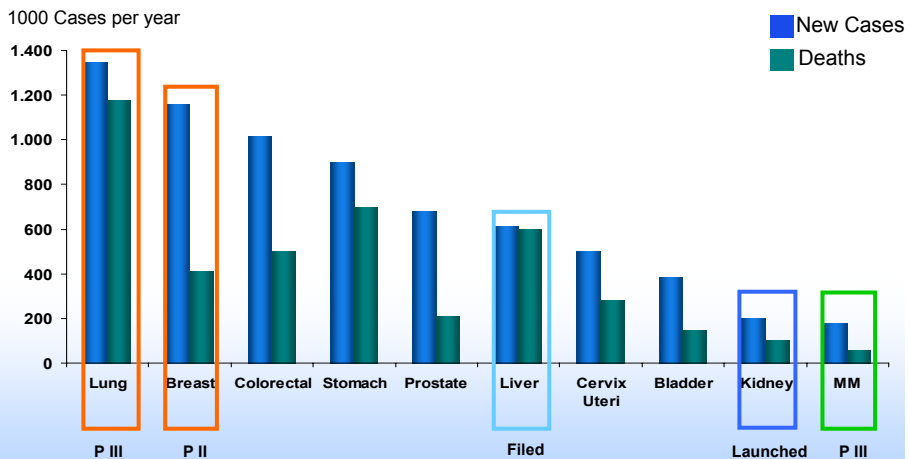
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Nexavar – A Franchise Building Opportunity



- Established global brand in kidney cancer (€130m sales in 1st year after launch, 1H'07 €107m sales))
- Dual mechanism – antiangiogenic & antiproliferative
- Established efficacy in more than one tumor type
- Unprecedented results in HCC
- Approved for treatment of RCC in more than 50 countries
- Submitted for approval in hepatocellular carcinoma (liver cancer)
- Manageable side-effect profile
- >170 clinical studies ongoing

Expanding Nexavar's Reach Into Large Tumor Types



Source: Globocan 2002, ranked by incidence

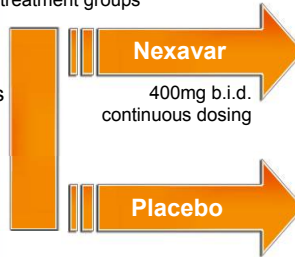
Investigating Nexavar in Hepatocellular Carcinoma (HCC) – The SHARP Trial



- HCC is the fifth most common malignancy worldwide: about 600,000 new cases/year
- HCC treatment needs highly unmet, no approved treatment for unresectable advanced HCC in U.S. or EU
- Randomized placebo-controlled phase III study in patients with advanced HCC:

(1:1) Randomization ratio between treatment groups

- 602 advanced HCC pts
- Child Pugh A status
- ECOG PS: 0,1,2



Primary Endpoints

- Overall Survival (OS) (40% improvement) or
- Time To Symptom Progression (TTSP) (30% improvement)

Secondary Endpoints

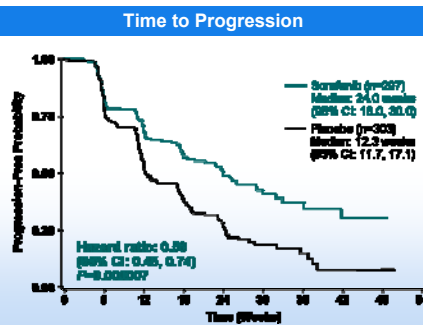
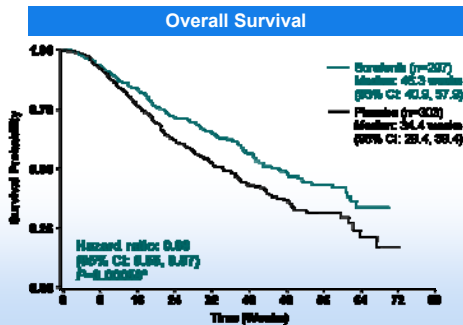
- Time To Progression (TTP) (67% improvement)
- Overall Disease Control rate
- Quality of Life (QoL)

Nexavar is the First Drug to Demonstrate Overall Survival Benefit in HCC



	Hazard ratio	Sorafenib Median	Placebo Median
Overall survival (44% improvement)*	0.69	46.3 weeks	34.4 weeks
Time to progression (73% prolongation)†	0.58	24.0 weeks	12.3 weeks

Sorafenib vs placebo: *P=0.0006; †P=0.00007



Nexavar bears the potential to become the new standard of care in patients with unresectable liver cancer

Nexavar is Significantly Ahead of Competition in HCC



Targeted cancer therapies in clinical development for treatment of HCC

Launched	No approved agent for unresectable disease in U.S. or EU
Filed	Nexavar
Phase III	-
Phase II	Avastin Tarceva Sutent Other

- Nexavar's SHARP trial demonstrated 44% improvement in overall survival in HCC
- Nexavar expected to become the reference standard of care for the 1st line treatment of HCC
- No current standard of care in HCC defined; only few chemotherapies demonstrated meaningful activity
- Submitted in EU, U.S. and China – potential market entry in early 2008
- Overexpression of Raf in HCC patients favors Nexavar's mode of action

Nexavar in NSCLC and Melanoma: Late-Stage Clinical Program Progressing



Non-Small Cell Lung Cancer (NSCLC)

- Phase III trial (ESCAPE) in combination with carboplatin/paclitaxel in 1st-line setting in patients with NSCLC (all histology types) completed enrollment of approx. 900 patients
- Additional phase III initiated with gemcitabine and cisplatin +/- Nexavar in 1st-line treatment of NSCLC currently underway. Expected to enroll approx. 350 patients
- Other/additional drug combinations under assessment
- Data expected to mature in 2008. Launch of Nexavar in NSCLC planned for 2009

Malignant Melanoma

- Phase II study (1st-line) with DTIC +/- Nexavar showed positive trend in progression free survival at tolerable toxicity. Median PFS: 21.1 weeks in the Nexavar arm vs. 11.7 weeks in the placebo arm
- Phase III trial (1st-line) investigating Nexavar in combination with paclitaxel/carboplatin ongoing (ECOG trial). Data expected to mature in late 2008

Metastatic Breast Cancer May Add Significantly to the Potential of Nexavar



1st-line Therapy	1st-/2nd-line Therapy
Nexavar in combination with <ul style="list-style-type: none"> ■ Paclitaxel ■ Docetaxel or Letrozole ■ Paclitaxel or Bevacizumab 	Nexavar in combination with <ul style="list-style-type: none"> ■ Gemcitabine ■ Capecitabine or Letrozole ■ Letrozole or Anastrozole or Exemestane

- Metastatic breast cancer is the most common form of female cancer with approx. 180,000 new cases estimated in the U.S. for 2007
- Multiple international phase II protocols investigating Nexavar under way
- Initiation of phase III planned for late 2009
- Potential launch in 2013
- Nexavar peak sales potential in breast cancer: >€ 750 million

We have a Promising CV Pipeline



As of August 2007	Phase I	Phase II	Phase III	Submitted
No. of projects	14	17	20	9
	HT / HF sGC Stimulator PH in COPD Elastase Inhibitor Cancer L19-SIP Cancer L19-TNF Cancer DAST Inhibitor Menopausal Management ER6 Agonist Hypogonadism Treatment sF-Ment Crohn's IBD Lipoxin DME VEGF Trap-Eye Alzheimer PET Imaging ACS Aspirin i.v. Fast Dissolving Tablet Levitra	A'fib / Stable Angina Adenosine A1 Agonist Acute Heart Failure sGC Activator Pulmonary Hypertension sGC Stimulator ACS Rivaroxaban Sagopilone (ZK-EPO) Parkinson's Disease Spheramine Gram-neg. VA Pneumonia Amikacin analog (NKTR-061) Liposomal Formulation Kogentis Breast Cancer Nexavar Additional Indications Nexavar Fertility Control FC Patch Fildencia Fertility Control Vallette low Multiple Sclerosis Alemtuzumab MRI (USA) Gadevist New Indications Levitra	VTE Prevention Rivaroxaban SPAF Rivaroxaban DVT Treatment Rivaroxaban Nexavar Ind. / aggr. NHL, 1st line Zevatin CLL 2nd line Campath Bone Metast. Prevent. (Breast Ca.) Bonifos Dimerin/anticoag (J) YAZ Fertility Control YAZ Plus T-Cell Deplete Bleeding DUB-OC (E2/DNG) Menopausal Marava Menopausal Management Angeliq low-low Endometriosis Valsartan Fertility Control Yasmin plus / YAZ plus Fertility Control LCS (GLP-1/NG) MS Treatment Betaferon high dose (BEYOND) CT Ultravist 370 New Indications (US) Avetex	SRD (p) Fosrenol Bleeding control rThrombin RCC Nexavar CLL 1st line Campath VMS Menostar transdermal MRI (J) E2 / LNG MRA Magnevist MRA MRI (US, J) Primovist PIG / New Indications (EU) Avetex ■ New Molecular Entities (NME) ■ Life Cycle Management (LCM)



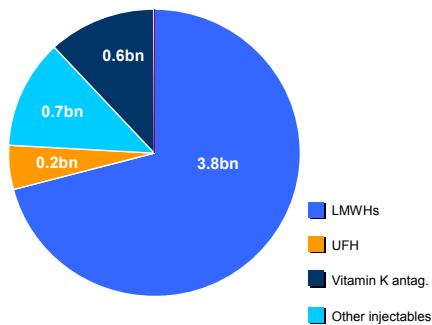
■ Rivaroxaban – A new oral anticoagulant

Anticoagulants – A Large Unmet Medical Need



Market 2006 \$5.3bn

Medical Need



- Approximately 6.5 million people worldwide are affected annually by venous thromboembolism (VTE)
- Up to 600,000 people are hospitalized in the U.S. each year for deep vein thrombosis (DVT)
- Approx. 8.5 million AFIB patients in Europe, Japan and U.S. (prevalence)
- AFIB patient has a 5-fold higher risk of stroke events

An Ideal Anticoagulant Should Have ...



Rivaroxaban has:

Oral administration	Convenient use both in and out of hospital	✓
Once daily dosing	Key issue to enhance compliance in the target population	✓
Predictability	Safe and effective regulation of coagulation from the first dose and throughout therapy	✓
Wide therapeutic window	Broad safety margin at a wide range of effective doses	✓
Minimal food/drug interactions	Ease of use with concomitant medication and diet	✓
No monitoring	No need for laboratory monitoring saves healthcare costs through fewer hospital / physician visits and patients' time	✓

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... based on current knowledge

Rivaroxaban: Comprehensive Late-Stage Development Program in Place



Trial status	Indication	Trial design	Dosing	Guidance
Phase III RECORD	VTE Prevention in patients undergoing major orthopedic surgery	>10,000 pts, hip replacement or knee replacement vs. standard treatment (enoxaparin)	10mg once daily for 5 weeks (hip) or 14 days (knee)	Regulatory filing planned in EU in late 2007, in U.S. 2008
Phase III ENIGMA	VTE treatment and long-term secondary prevention	~7,500 pts, vs. standard treatment	20mg once daily main dose, treatment duration up to 12 months and beyond	Regulatory filing expected in 2010
Phase III ROCKET AF	Prevention of stroke in patients with atrial fibrillation (SPAF)	~14,000 pts, non-inferiority vs. standard treatment (Warfarin)	20mg once daily main dose, treatment duration 12-24 months	Regulatory filing expected in 2010
Phase II ALIAS	Secondary prevention of fatal and non-fatal cardiovascular events in patients with acute coronary syndrome (ACS)	~3,500 pts, on top of standard treatment	Dose finding study, twice and once daily dosing for up to 6 months	Regulatory filing currently expected in 2012

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Rivaroxaban: Results and Conclusions from the RECORD 3 Study



RECORD 3

Published at ISTH in July, 2007

- Double-blind, randomized, controlled **Phase III study for VTE Prevention in elective total knee replacement patients**
- Multiregional study with **2,531 patients at 147 sites in 19 countries**
- **Primary endpoint** (composite DVT, PE and all-cause mortality): demonstrated **superior efficacy** vs. enoxaparin (49% rel. risk reduction (RRR); $p < 0.001$)
- **Secondary endpoint** (major VTE, symptomatic VTE): **superior efficacy** vs. enoxaparin (62% RRR; $p = 0.01$ / 64% RRR; $p = 0.006$)
- Rivaroxaban had **comparable safety versus enoxaparin** (major bleedings rates low and similar in both groups), no evidence of liver safety issues attributable to rivaroxaban, no evidence of reactivation of coagulation after treatment cessation
- Presentation of full data set of additional RECORD program targeted for a major scientific congress

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Our Pharma Pipeline Has the Potential to Transform the Business



Project	Indication	Estimated launch	Peak sales potential (in €m)
Nexavar	Renal Cell Cancer	Launched	} 500
	Hepatocellular Cancer	Filing June 2007	
	Melanoma	> 2008	} >750
	Non-Small Cell Lung Cancer	2009	
	Breast Cancer	2013	
Rivaroxaban	VTE Prevention	2009	} >2,000
	DVT Treatment	2011	
	Stroke Prevention in AFIB	2011	
	Acute Coronary Syndrome	2013	
Betaseron incl. Life Cycle Mgmt.	Multiple Sclerosis incl. BENEFIT incl. BEYOND	Launched 2008	>1,000
Yasmin/Yaz incl. Life Cycle Mgmt.	Oral contraception; PMDD; Acne	Launched	>1,000
Kogenate incl. Life Cycle Mgmt.	Hemophilia A incl. Kogenate Liposomal	Launched 2011/2012	>1,000

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Summary



- Remain committed to further strengthening our HealthCare business, focusing on specialty pharmaceuticals and consumer OTC
- Increase return on R&D investments through improved productivity, higher quality and focus on fewer therapeutic research areas and assets
- Nexavar – A new franchise building opportunity
- Presented new and exciting data for Rivaroxaban further confirming its potential



A pharma pipeline with the potential to transform the business

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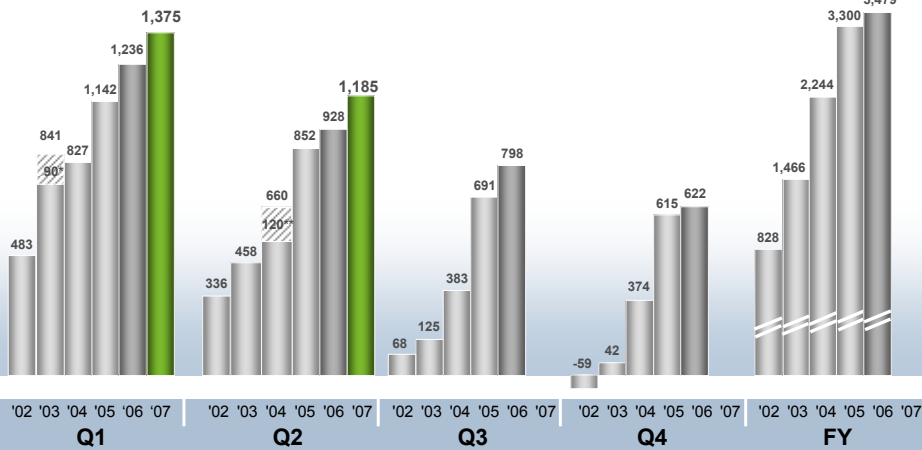
■ Appendix

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18 Consecutive Quarters With Y-o-Y Underlying EBIT Improvement



Underlying EBIT in € million



2002 underlying EBIT as reported in FY 2003
 2003 underlying EBIT as restated in 2004
 2004 underlying EBIT as reported in 2004
 2005 underlying EBIT as reported in 2005
 2006 underlying EBIT as reported in 2006

* Including €90m EBIT from divested products
 ** Including €120m reversal of pension provisions

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Q2 – Financial Highlights

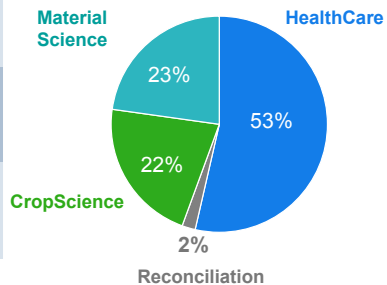


Key Figures

Underlying EBITDA by Subgroup

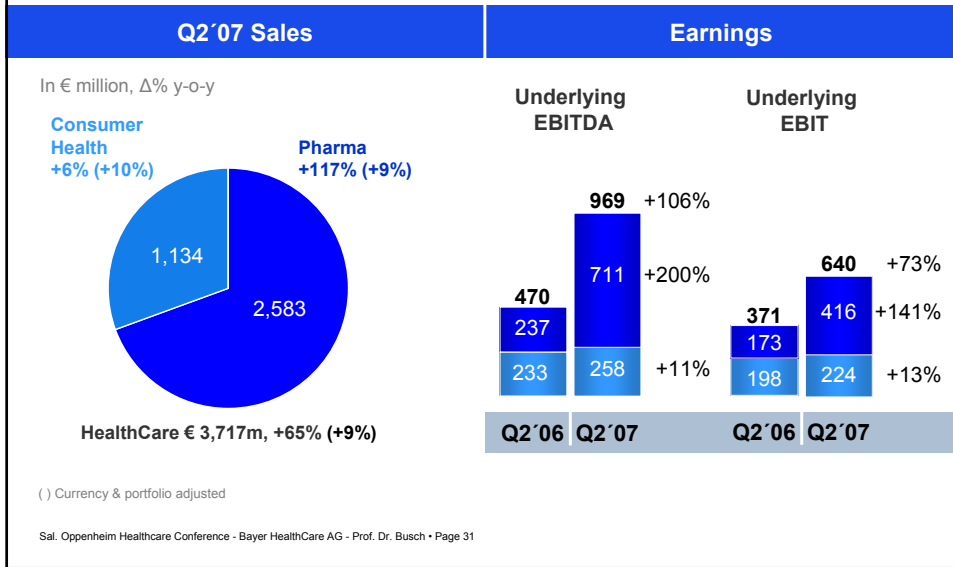
In € million, Δ% y-o-y

	Sales	EBITDA*	EBIT*	Core EPS
	8,217	1,806	1,185	€1.03
Δ%	+ 22%	+ 39%	+ 30%	+ 39%
Δ% Adj. **	+ 5%			

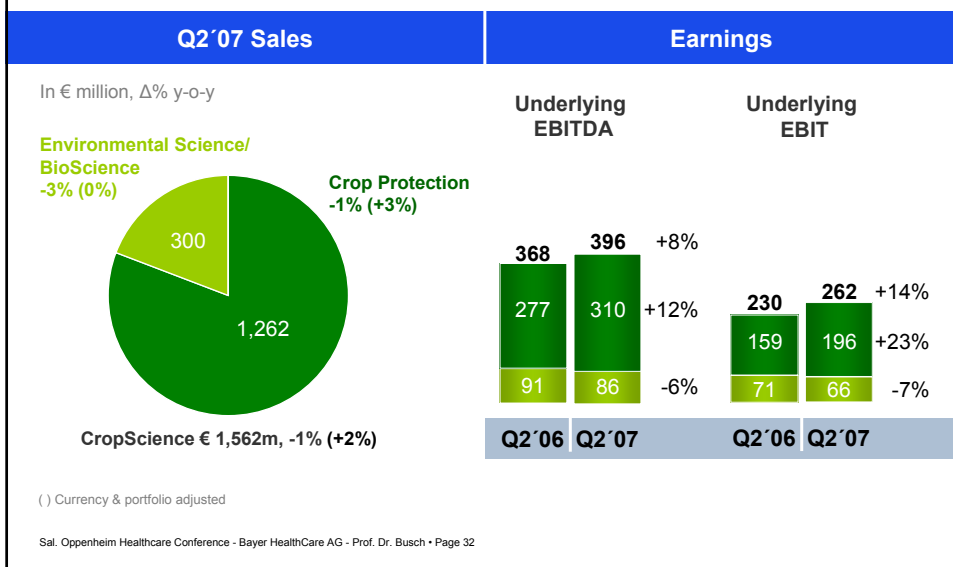


* Before special items
 ** Currency & portfolio adjusted

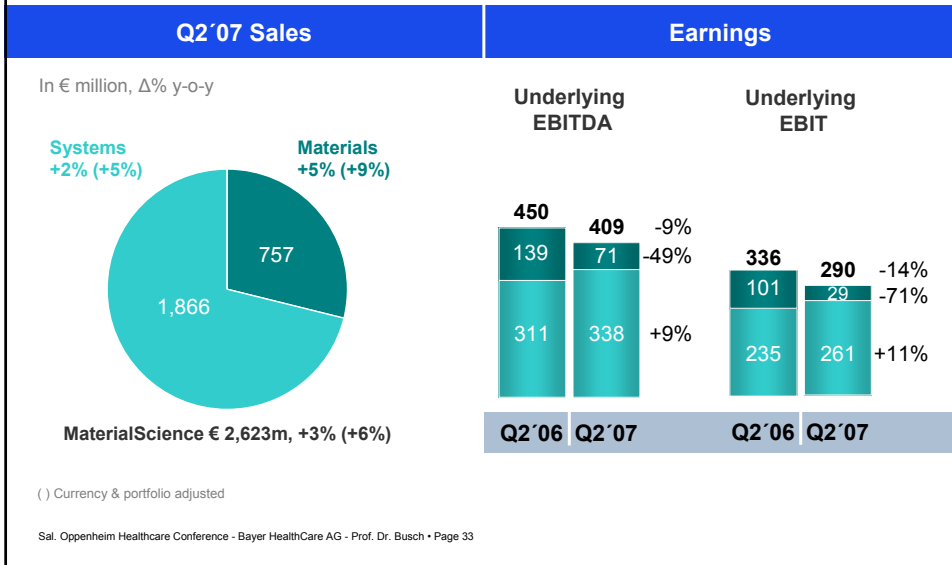
HealthCare – Earnings Jump on Schering Acquisition and Performance



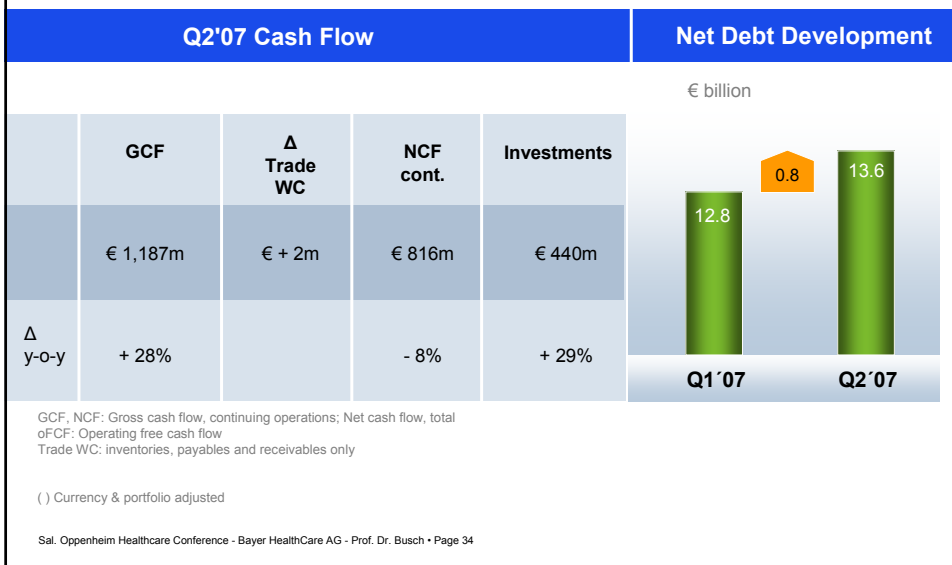
CropScience – Earnings up on Higher Volumes and Savings



MaterialScience – Robust Volume Growth



NCF Impacted by Incentive Payments, Taxes and Restructuring Disbursements



Outlook for FY 2007 Raised in June



Group

- **Increase sales by >10%**
- **Underlying EBITDA by >10%**
- **Margin* above 20% (raised in June)**

Subgroups

- **HealthCare** (raised in June)
Growth in all divisions at or above market.
Margin* at 25%.
- **CropScience** (up-dated)
Sales above previous year's 2nd half.
Margin* above 22%.
- **MaterialScience** (up-dated)
Higher volumes and good, value-creating earnings level. Q3 underlying EBITDA roughly on par with Q2.

* Underlying EBITDA margin

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Mid-term Financial Targets



Underlying EBITDA margin

Bayer HealthCare



around 28% in 2009 (previously: 27%)

Bayer CropScience



approximately 25% in 2009

Bayer MaterialScience



>18% under favorable economic conditions



Group exceed 22% in 2009 (previously: approx. 22%)

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