



Bayer

The Transformation has begun
1st Half 2002 Results

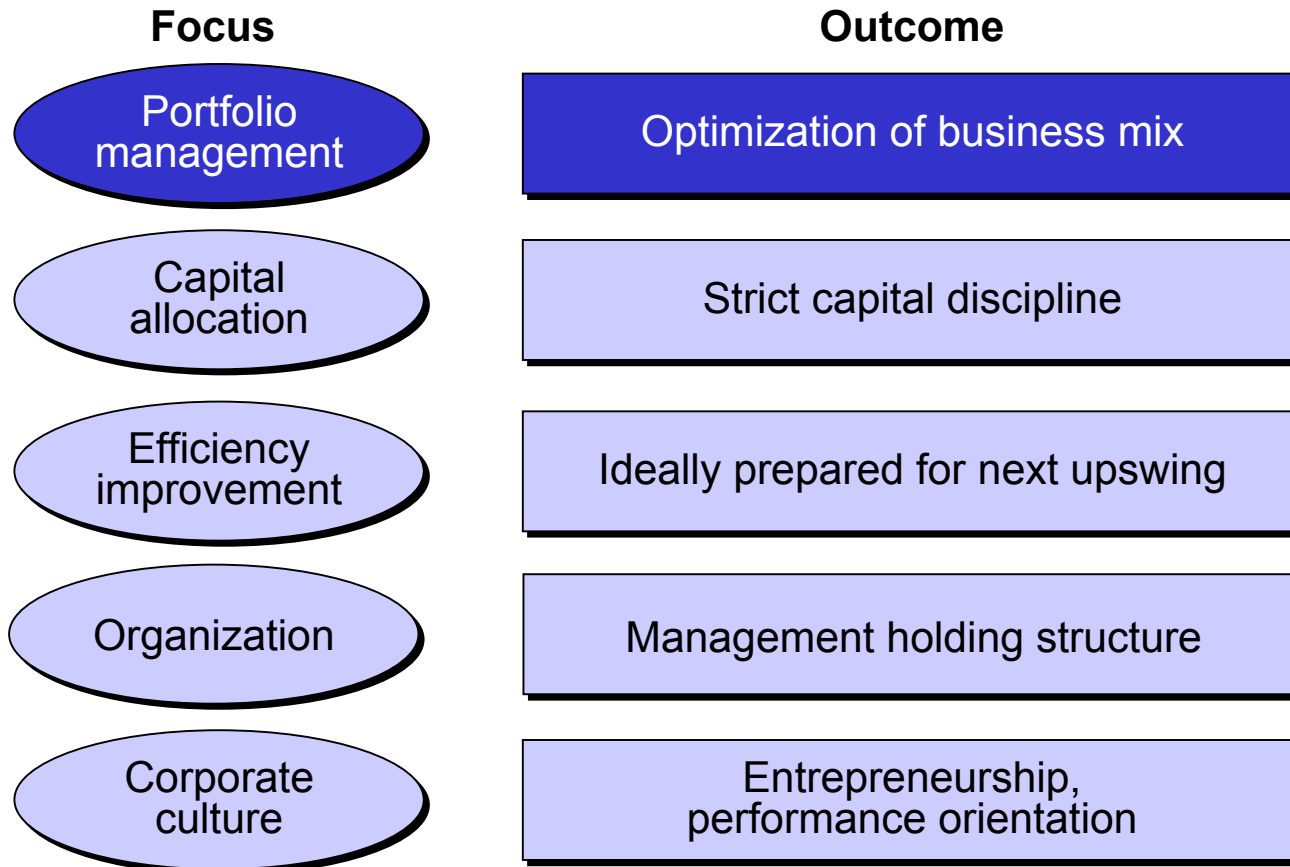


Safe Harbor

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.

A Far-Reaching Transformation...



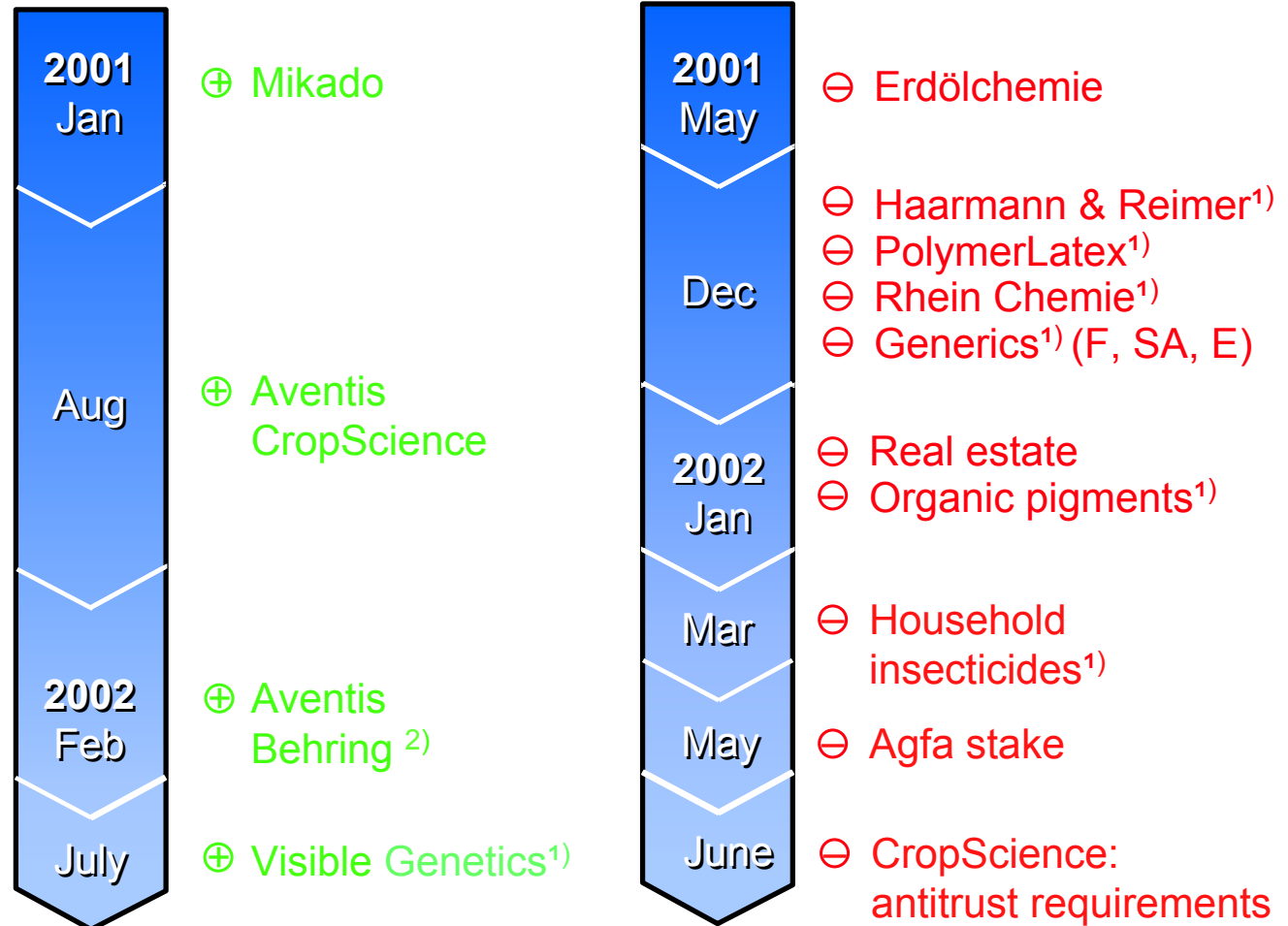
... to significantly increase corporate value

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

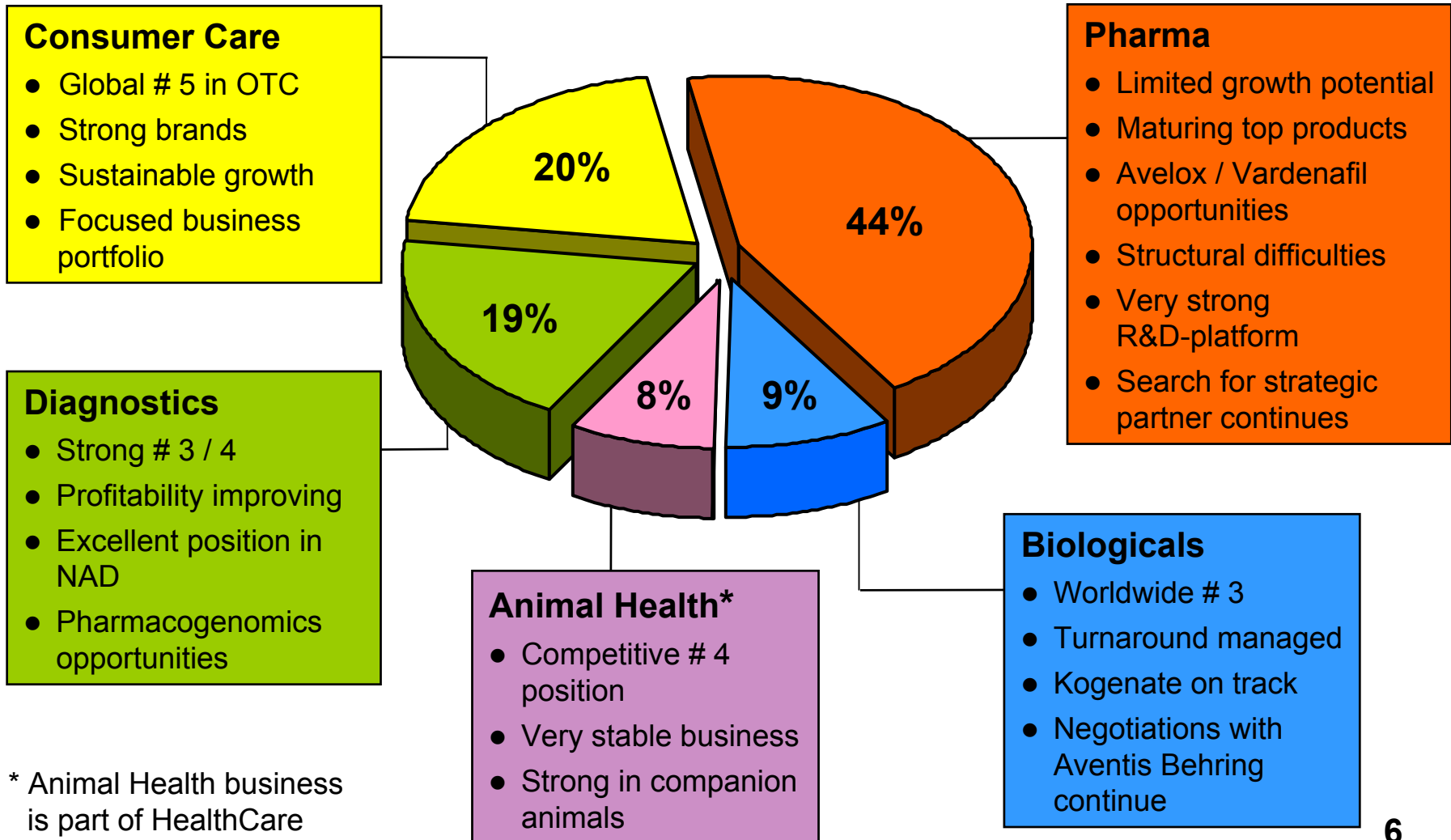


HealthCare	CropScience	Polymers	Chemicals
Find strategic partner	Successfully manage ACS integration	Expand global leadership	Participate in industry consolidation
<ul style="list-style-type: none"> ▶ Life cycle management of established products ▶ Successful launch of new products ▶ Build the pipeline ▶ Establish new business group "Biologicals" ▶ Achieve Diagnostics restructuring targets 	<ul style="list-style-type: none"> ▶ Gain market share ▶ Optimize regional presence ▶ Exploit full synergy potential ▶ Achieve margin target ▶ Develop position of Agbio 	<ul style="list-style-type: none"> ▶ Optimize business mix ▶ Concentrate on high-value-added polymers ▶ Exploit growth potential in Asia ▶ Research new areas of applications ▶ Achieve specific efficiency improvements 	<ul style="list-style-type: none"> ▶ Streamline portfolio rigorously ▶ Strengthen specialty business ▶ Consider all options for cooperations ▶ Achieve targeted cost savings ▶ Find long-term solutions for Basic, Fine and Specialty Chemicals

Bayer HealthCare: Strong Presence in Main Areas of the Business



Sales 2001: € 10.7 bn



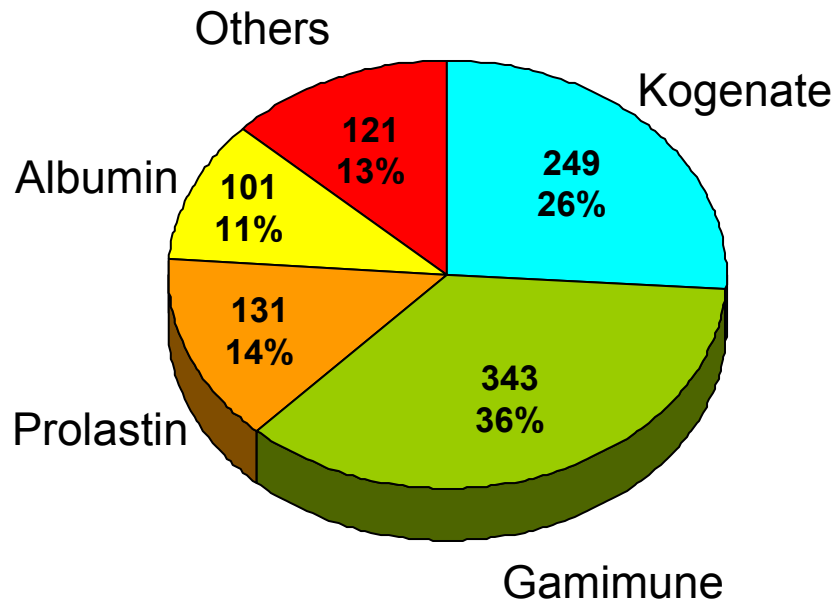
* Animal Health business is part of HealthCare effective January 1, 2002

Building a New Biologicals Company*



€ million

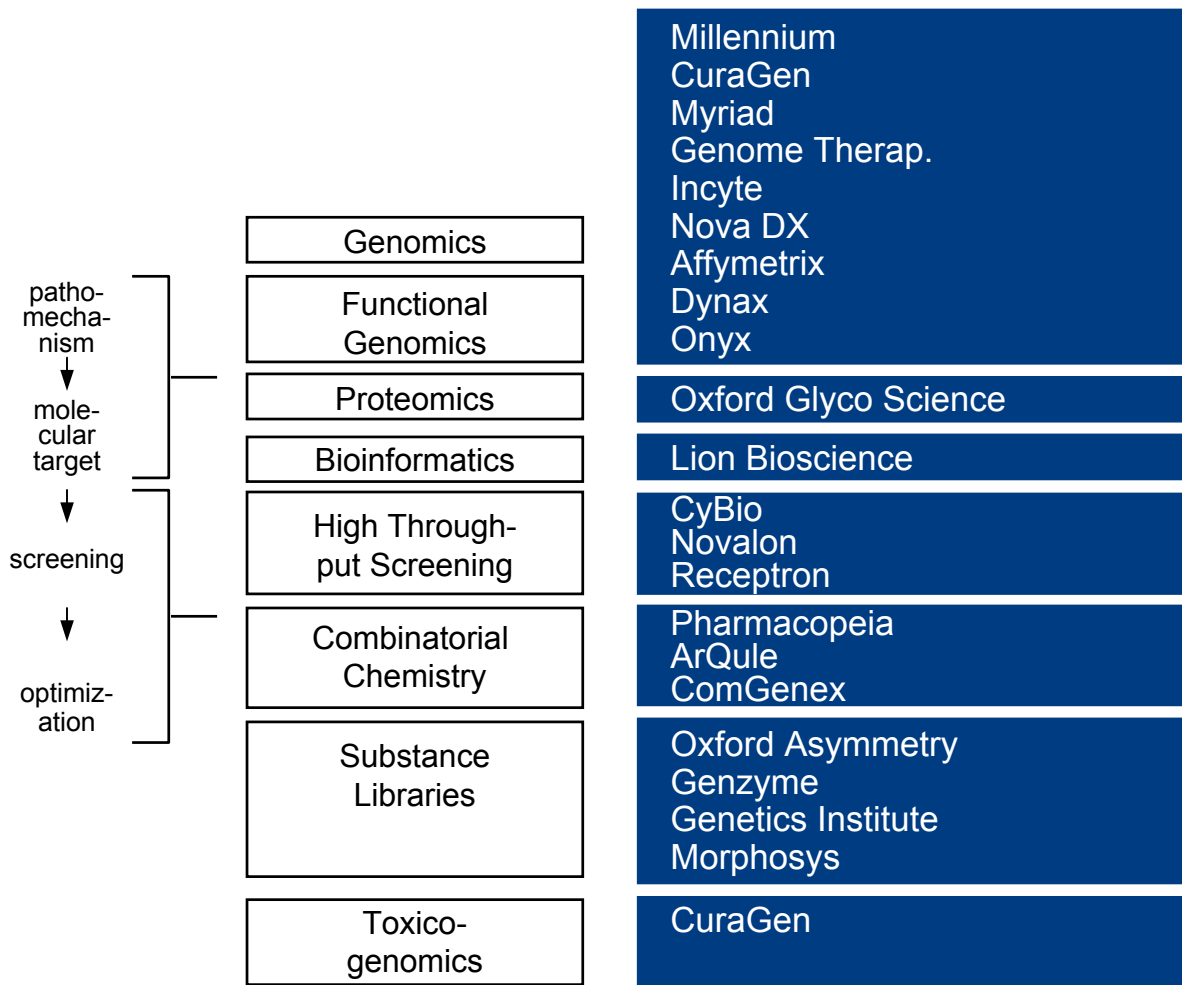
Bayer Biologicals
Sales 2001: € 945 million



- Combination of Bayer's Biologicals with Aventis Behring
- Bayer would own a substantial majority interest
- Option of acquiring the remaining interest at a later date
- Attractive long-term growth prospects
- Reliable and steady plasma supply
- Potential to optimize plasma utilization
- Potential to increase efficiency in quality assurance and manufacturing processes
- Stronger pipeline and technology platform

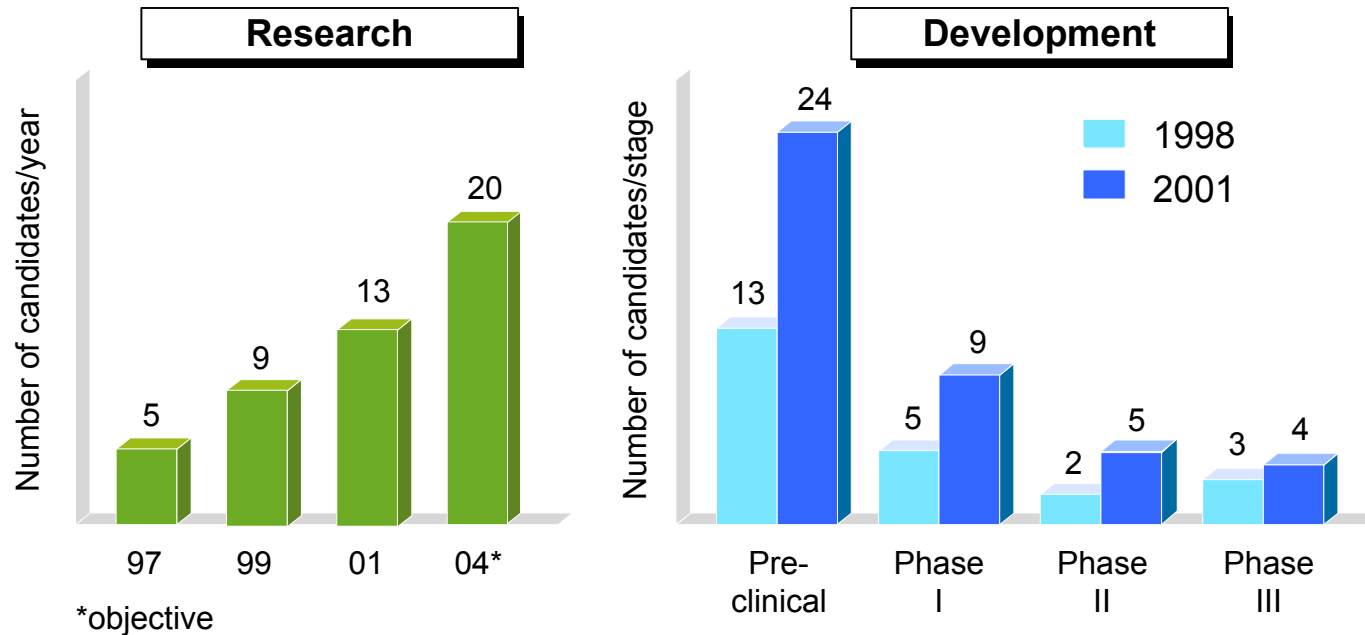
* Non-binding letter of intent to establish a joint venture, subject to due diligence, the negotiation of a final agreement, approval by the boards of both companies and regulatory authorities.

A World Class Drug Discovery Platform



- More than €1bn investment committed
- US \$ 465 million genomics cooperation with Millennium
- Bioinformatics alliance with Lion Bioscience
- First risk/reward sharing agreement with CuraGen

Substantial Growth of the Pipeline



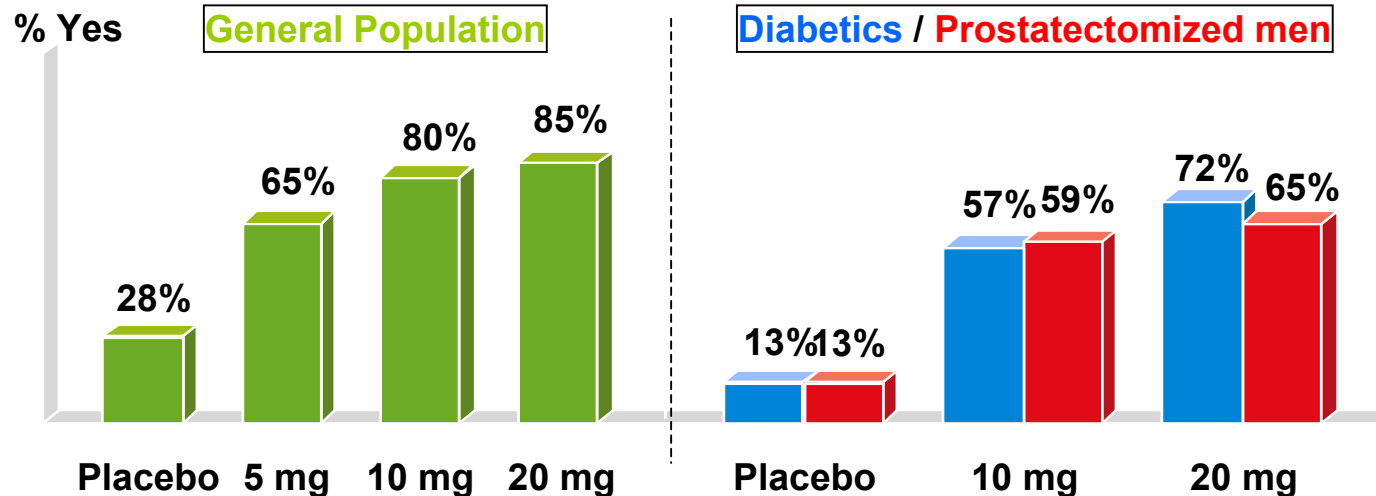
Phase III / NDAs

- Vardenafil: highly selective and potent PDE 5 inhibitor, filed in US, EU and Japan
- Cipro OD: innovative once daily formulation, filed in US
- Acarbose IGT: new indication for Glucobay/Precose
- Repinotan: intravenous drug for the treatment of acute stroke
- Faropenem: new broad spectrum antibiotic

Vardenafil: The New Blockbuster

- Peak sales potential > EUR 1 bn
- A highly selective and potent PDE 5 inhibitor
- Significant improvement in key efficiency parameters irrespective of age, severity and etiology
- A very favorable safety profile
- Global co-promotion partner (except Japan): GSK
- NDA submission: 9/2001 US, Mexico
12/2001 Europe, Japan
- NDA review status: 7/2002 US (approvable letter) / Mexico (approved)

Improvement of erections after treatment with Vardenafil



Strategic Priorities

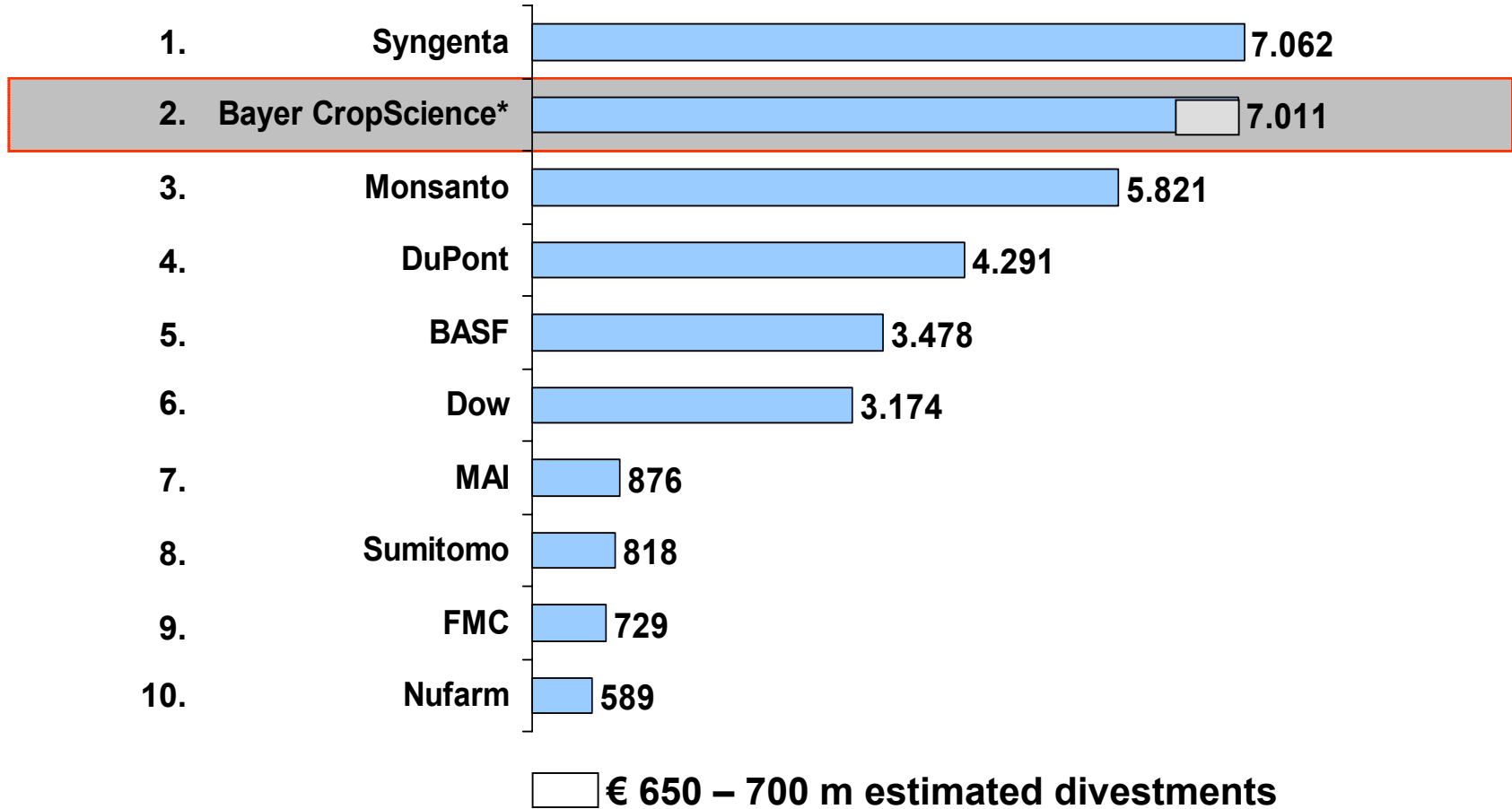


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Leading AG Companies – Turnover 2001

€ million (including Seeds & Biotechnology)



* Pro-forma basis without divestments
Source: Phillips McDougall

EU/FTC-Approval of the ACS Acquisition

- **The European Commission and the U.S. FTC approved the acquisition of Aventis CropScience**
- **< 10 percent of the combined business (€ 650 – 700 m) to be divested**

Insecticides

- Global business for fipronil based products for agro-chemical applications.
Option to license back ex USA and EU
- Business for certain specialty insecticides

Fungicides

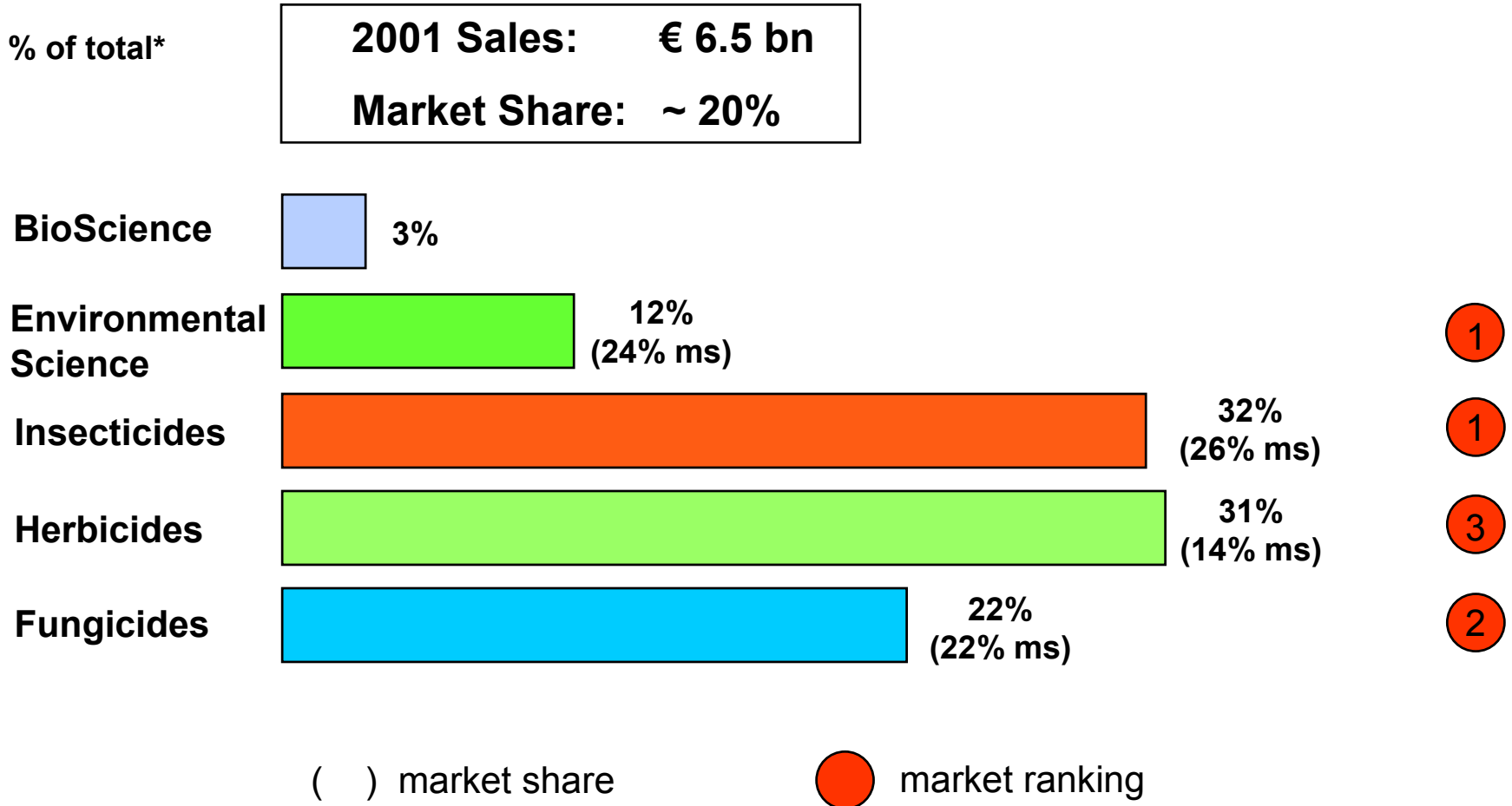
- EU business for ACS fungicides, mainly used for seed treatment

Herbicides

- EU business for metamitron (Goltix®), flucarbazone business (Everest®)

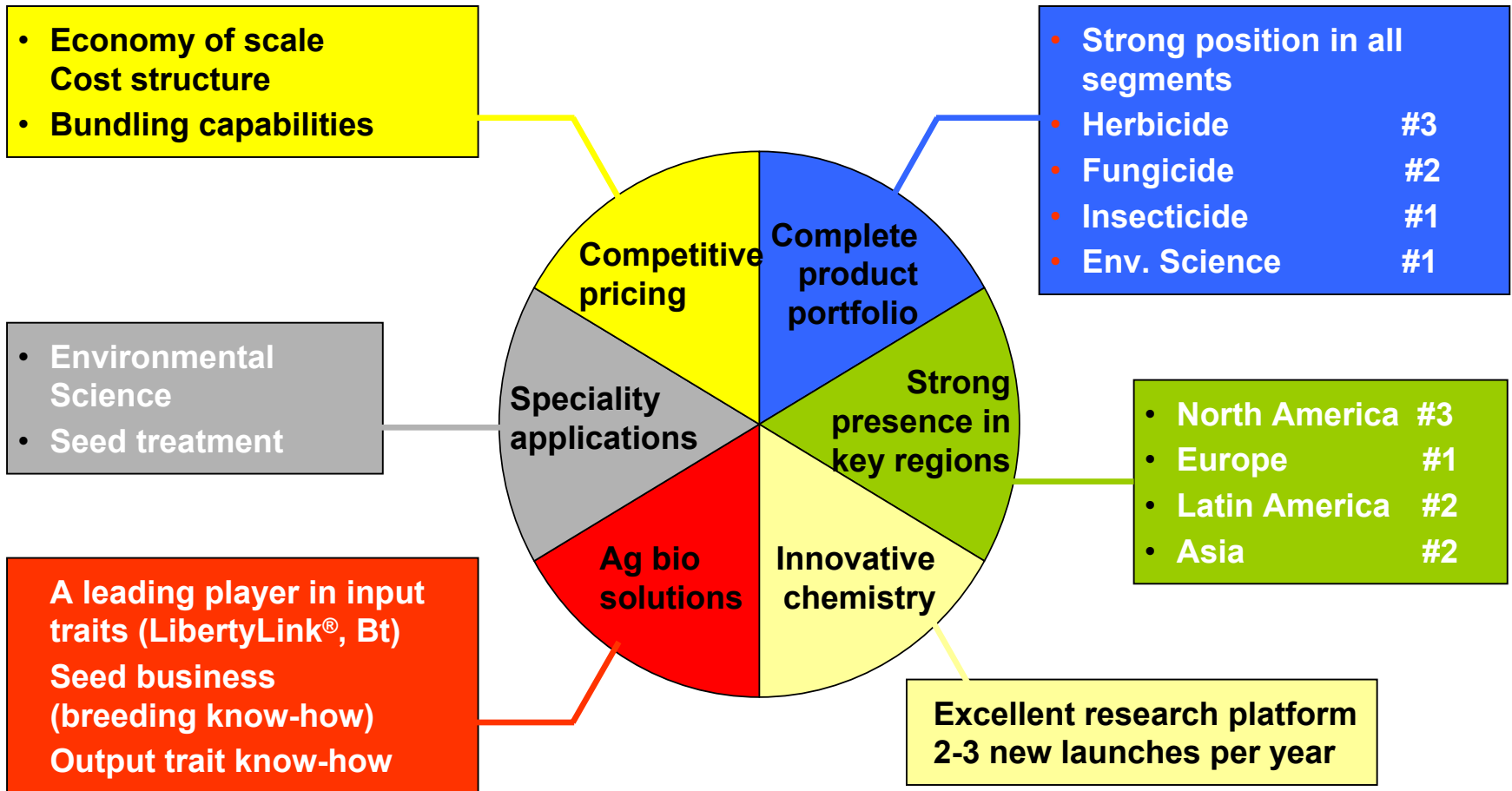
- **Strategic rationale for the acquisition remains intact**

Bayer CropScience: Combination of Two Strong Companies



* Pro-forma combination 2001 including Bayer's Environmental Health business and including estimated post divestment impact

Bayer CropScience: Matching the Critical Success Factors



Bayer CropScience: Become the Leading Crop Science Company



Objectives

- **Sales growth of 4 % p.a.** (double estimated market growth)
- **EBIT margin of 20 % in 2006**

Key drivers

- **Exploit full potential of new portfolio**
 - Execute divestments
 - Analyse and streamline remaining portfolio
 - Drive innovation with pipeline products
- **Turnaround in BioScience**
- **Optimize asset management and supply chain processes**
- **Realize full synergy potential**

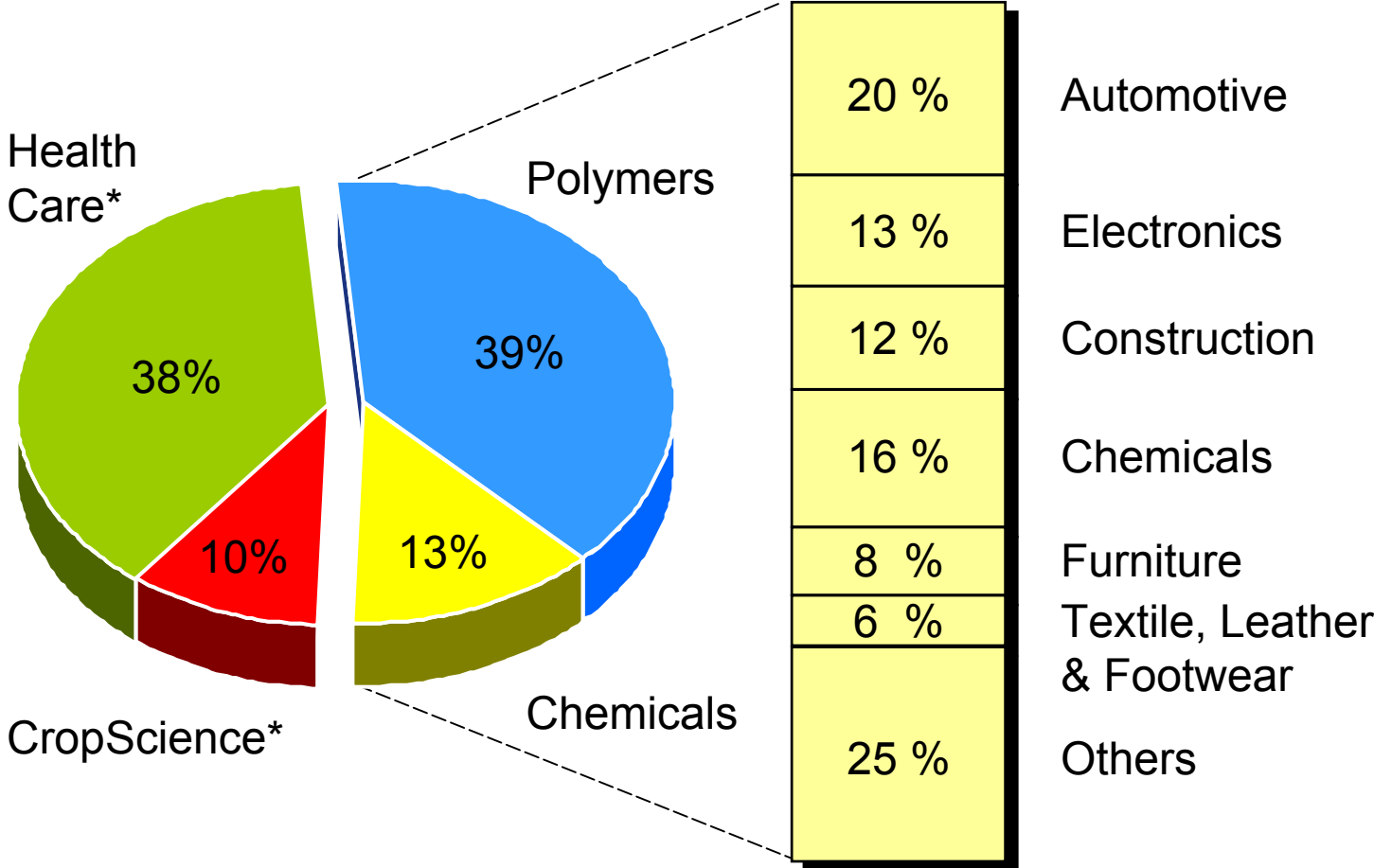
Strategic Priorities



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Customer Structure

Sales 2001: € 14.5 bn (Polymers & Chemicals)

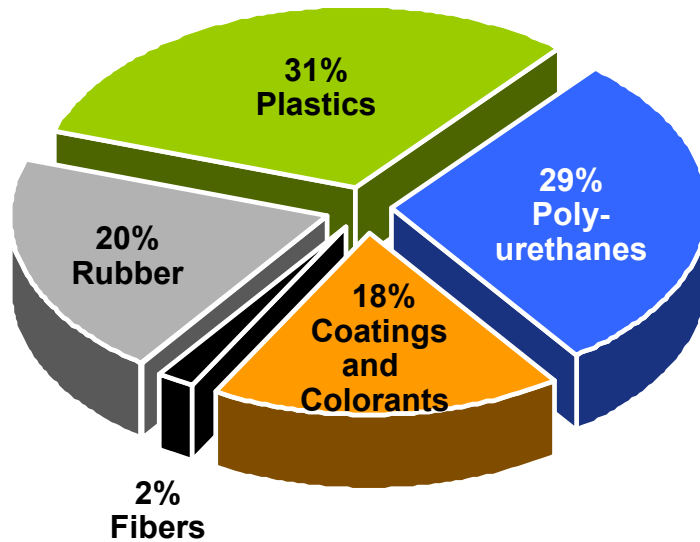


* Animal Health business included in Health Care

Global Leadership in High-Value-Added Polymers



Sales 2001: € 11.0 bn



sales% ms% #

Polycarbonates	40	30	②
Styrenics	35	15	②
Semicrystalline Thermoplastics	10	> 5	⑥
Fabricated Products	10	> 20	②
TPU	5	> 20	②

sales% ms% #

TDI	17	25	①
MDI	33	26	①
Polyols	43	26	①

sales% ms% #

Isocyanates	38	> 50	①
Adhesives	14	34	①
Colorants	25	24	①
Others	23		

ms = Market share

= Ranking

Strategic Priorities

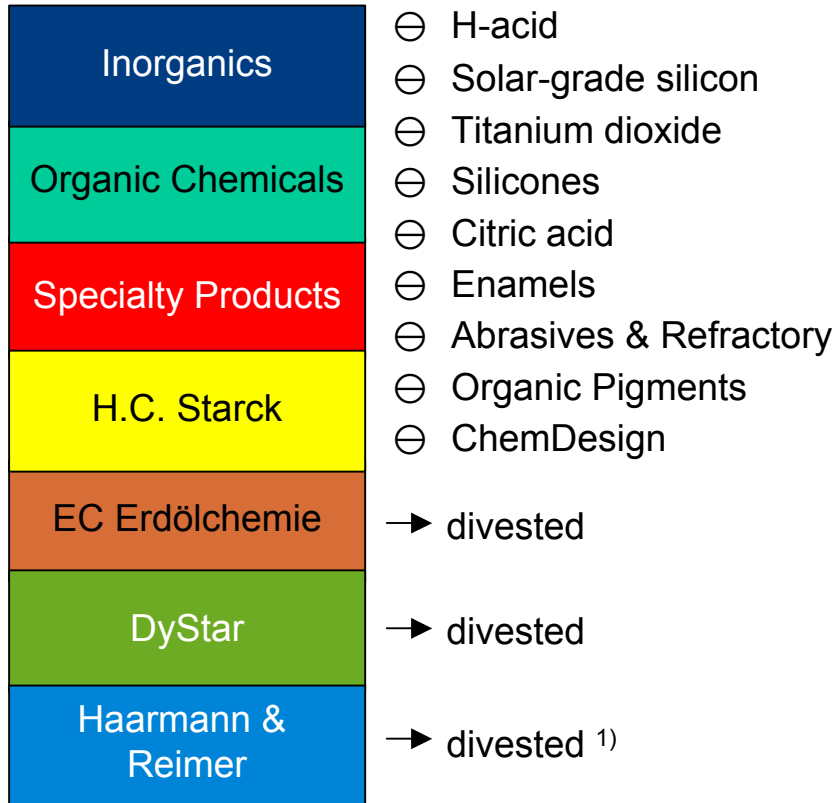


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Chemicals – Business Portfolio and Operational Performance Substantially Improved



Sales EUR 4,898 m

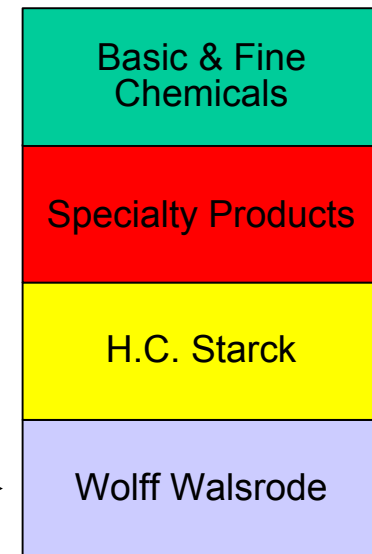


1996

Divestitures
Σ 2,800

Headcount

Sales EUR 3,748 m



⊕ Cytec
⊕ Sybron

⊕ CSM

regrouped →

Acquisitions
Σ 480

– 10,000 ²⁾

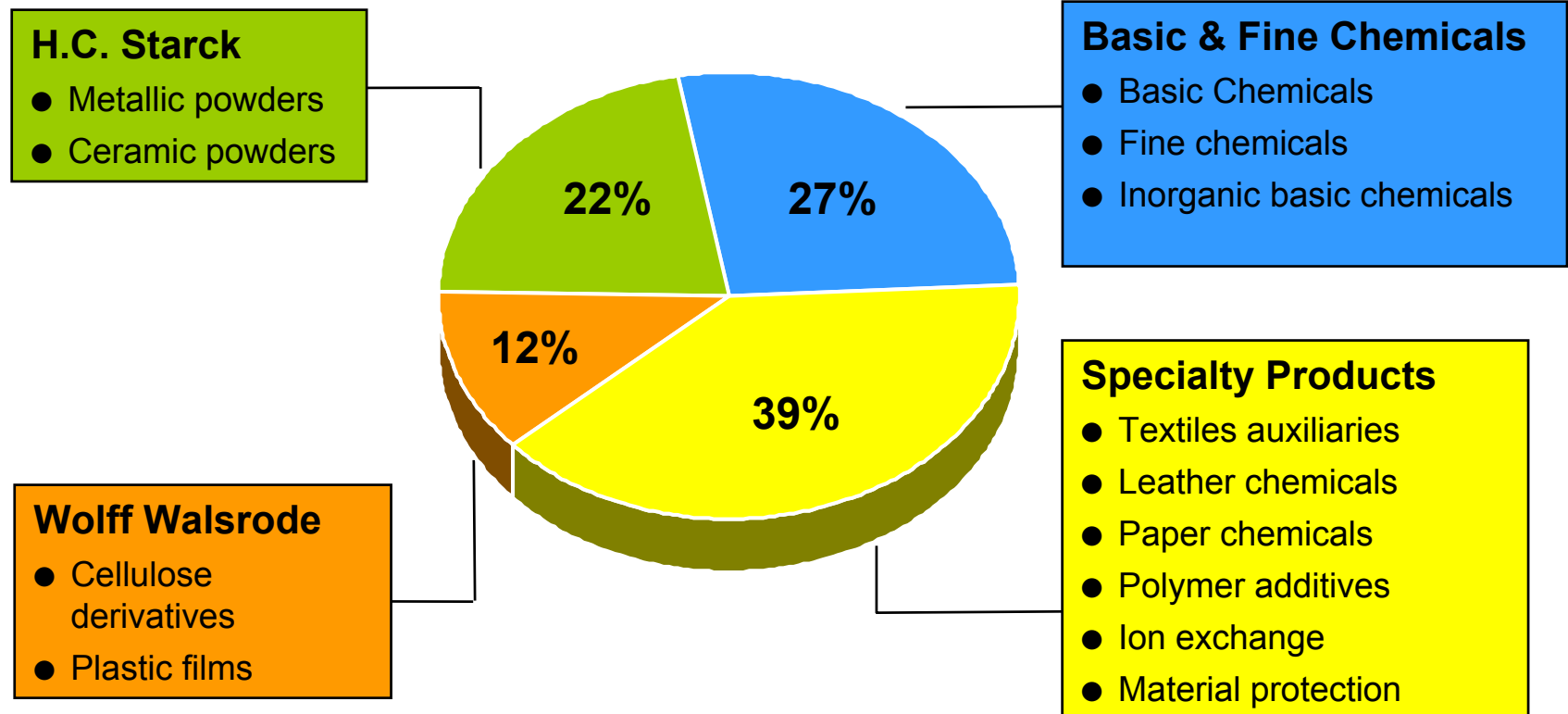
2001

1) pending; subject to regulatory approval
2) including 3,800 of H & R

Bayer Chemicals – Attractive Opportunities in Specialist Applications



Sales 2001: € 3.7 bn



Strategic Priorities*

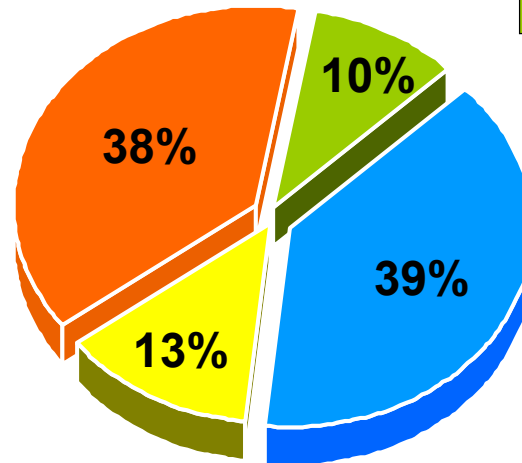
Sales (cont.) 2001: € 28,938 m

Health Care

Find strategic partner(s)

CropScience

Successfully manage ACS integration



Polymers

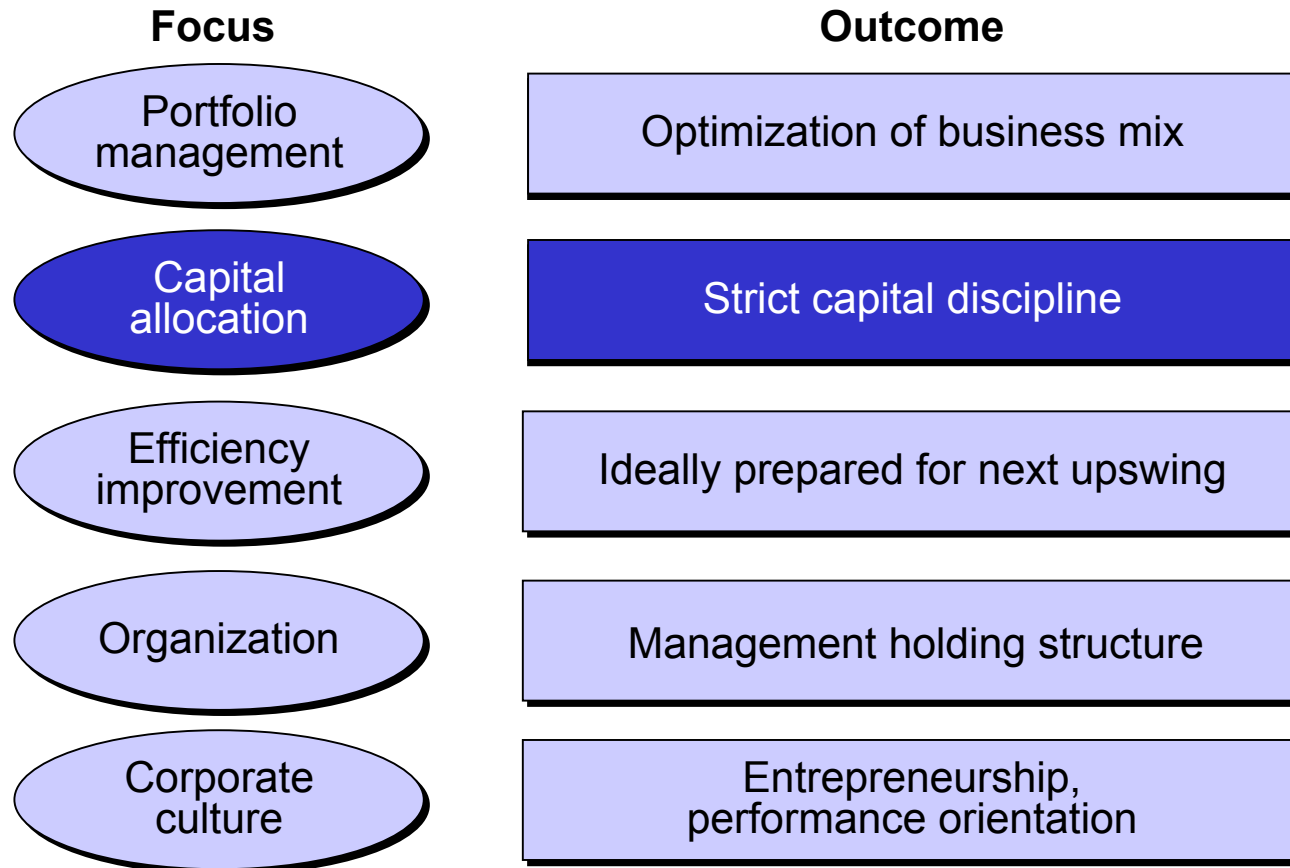
Expand global leadership

Chemicals

Participate in industry consolidation

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

A Far-Reaching Transformation...

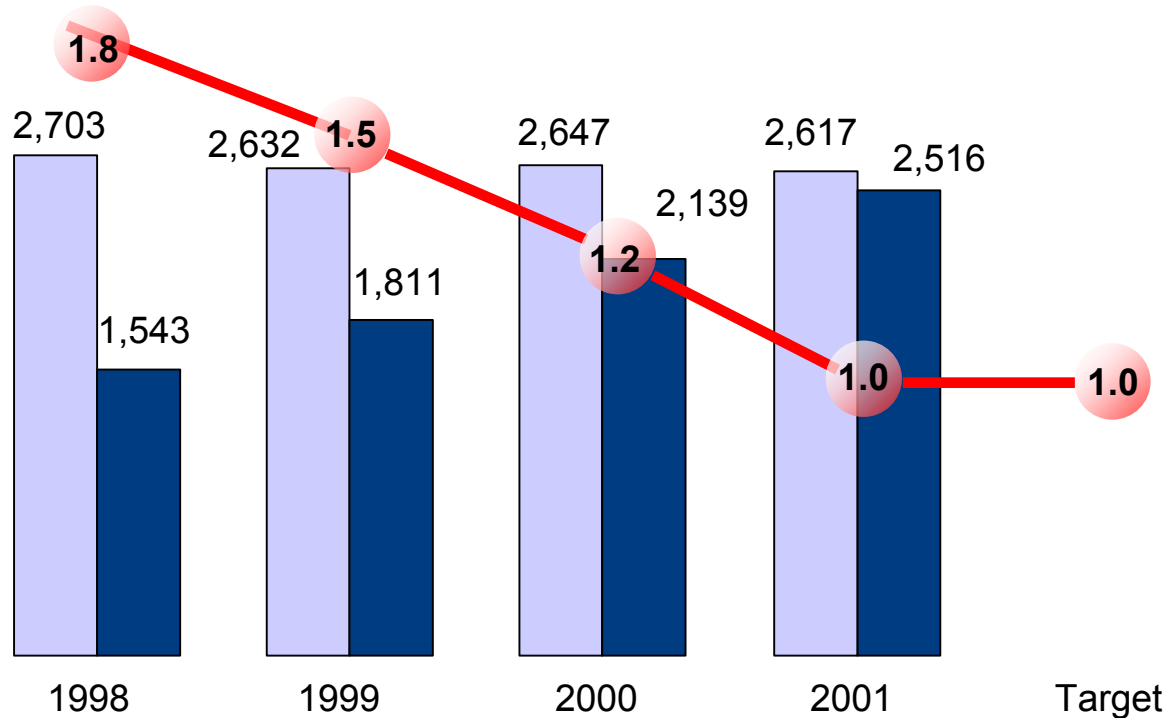


... to significantly increase corporate value

Strict Capital Spending Discipline Enforced



€ million



CapEx: Capital Expenditure
D&A: Depreciation & Amortization

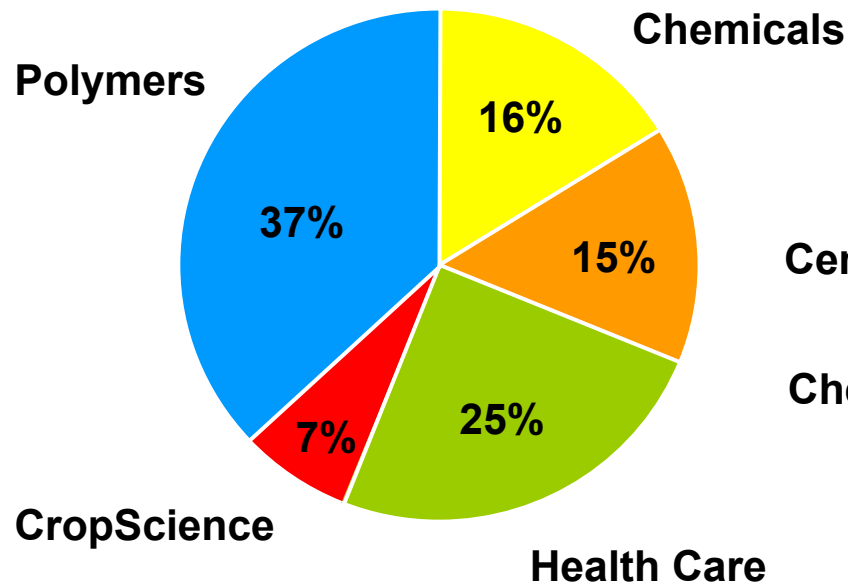
CapEx/D&A-Ratio



R & D and CapEx. Budgets for 2002

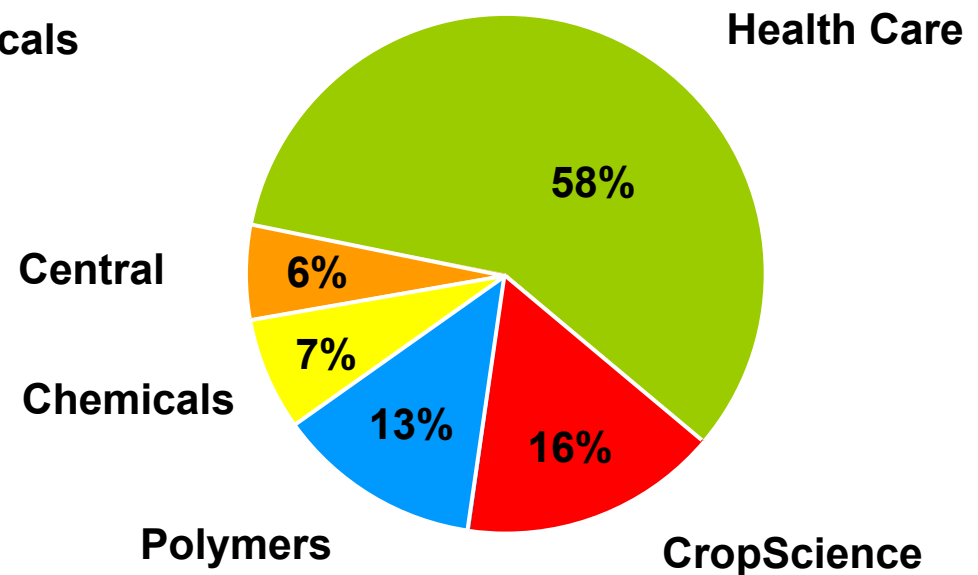
€ million

CapEx.



2,335 (cont.)
(-8.5 % to 2001)

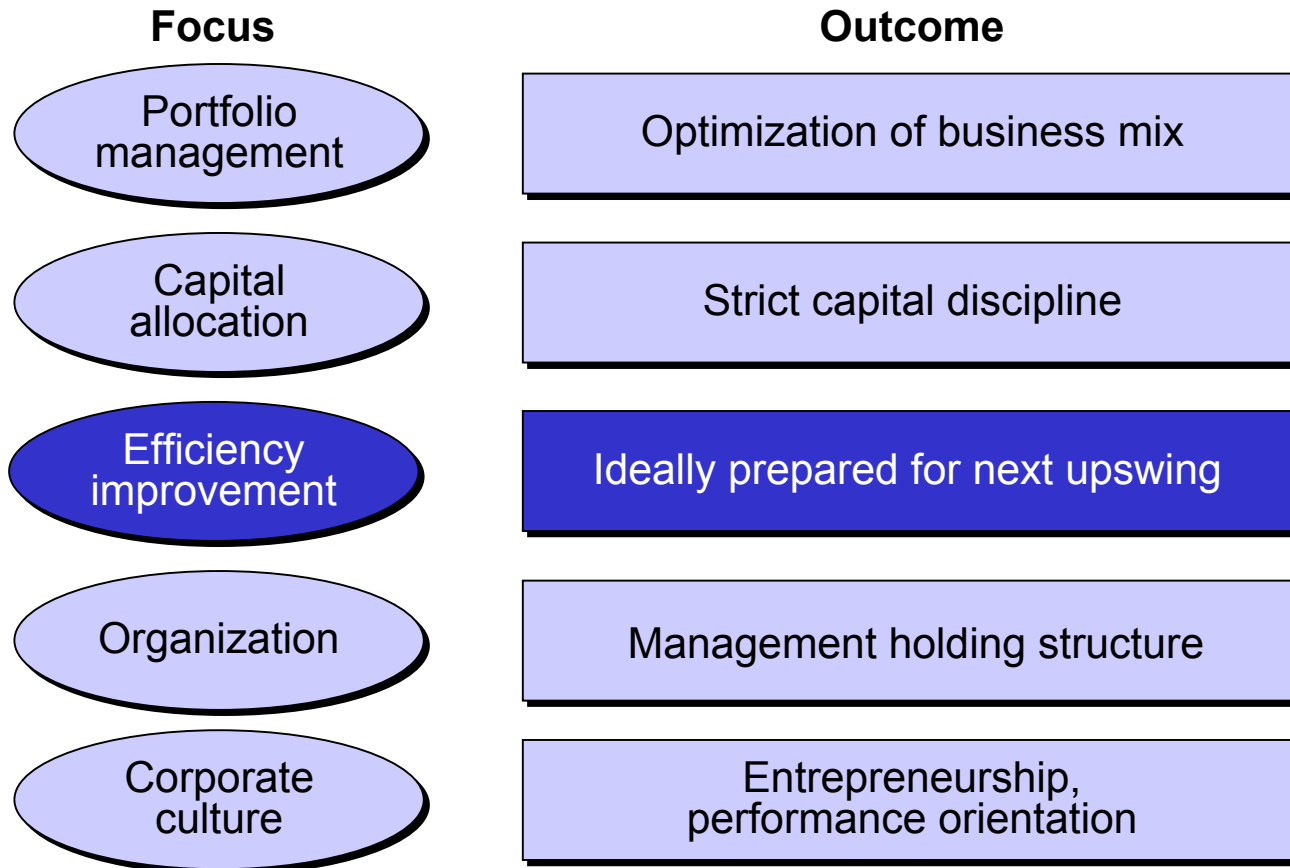
R & D



2,440 (cont.)
(-1.9 % to 2001)

Animal Health included in CropScience

A Far-Reaching Transformation...



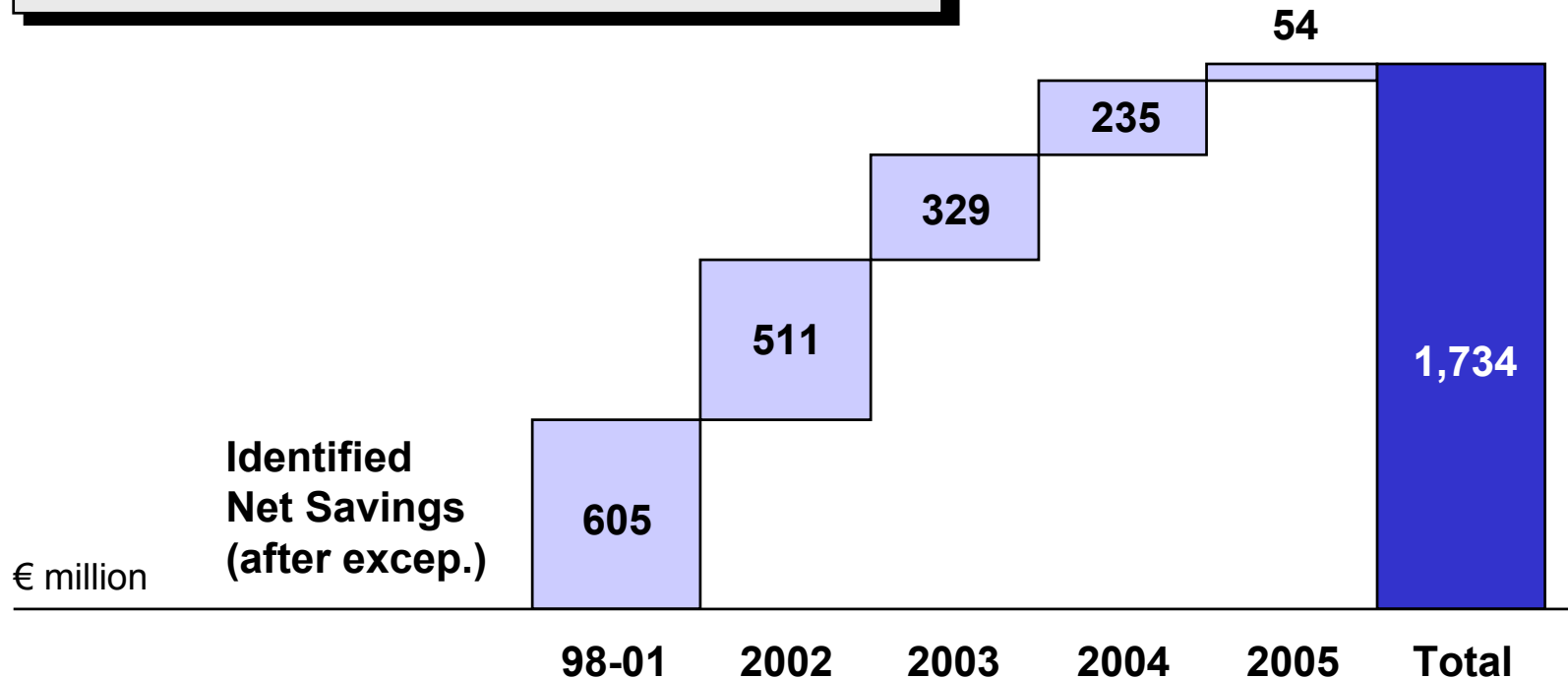
... to significantly increase corporate value

Efficiency Improvement Program



Planned savings of € 1.8 bn by 2005

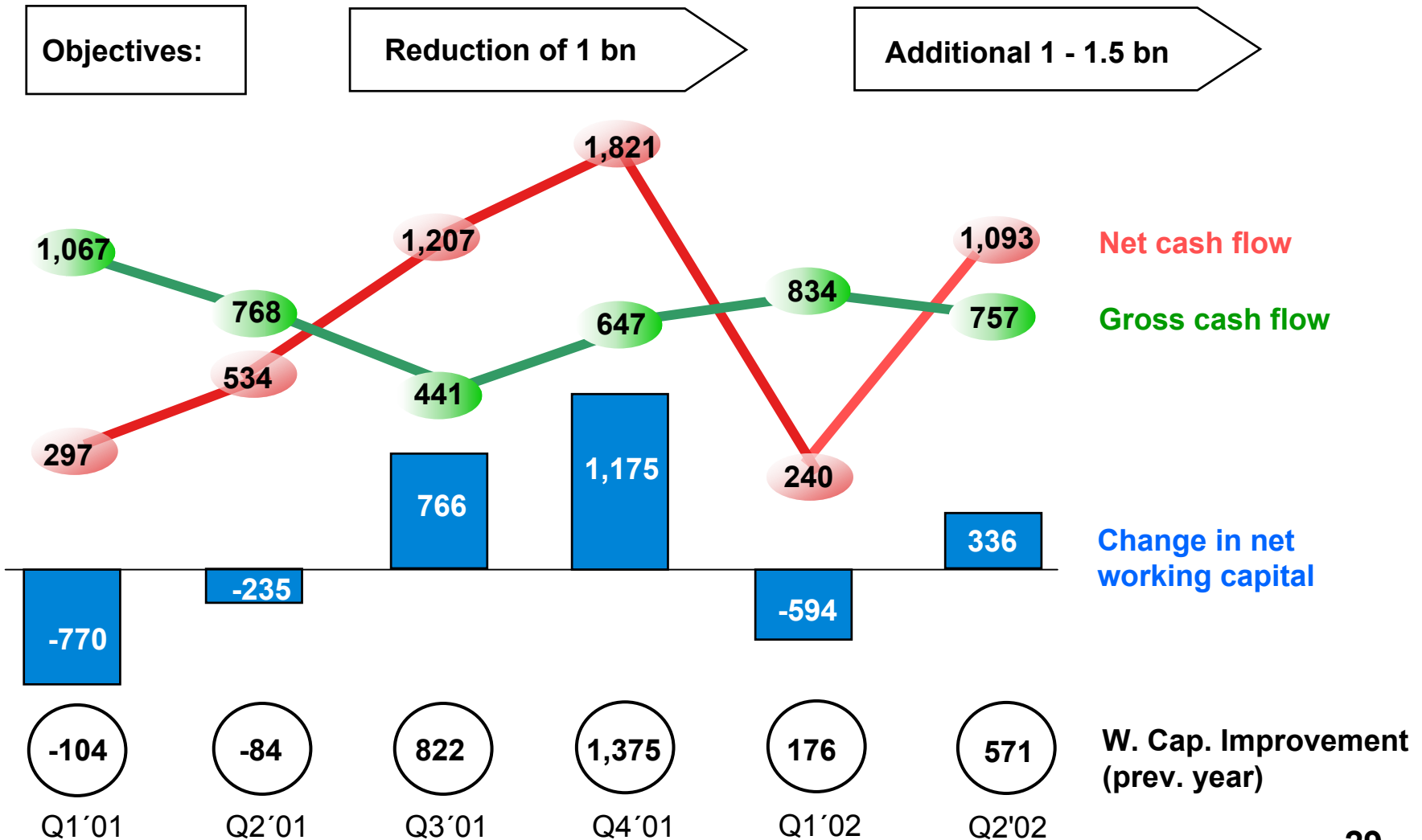
- Number of projects: 9
- Total one-time charges: € 640 m
- Headcount reduction: 5,000



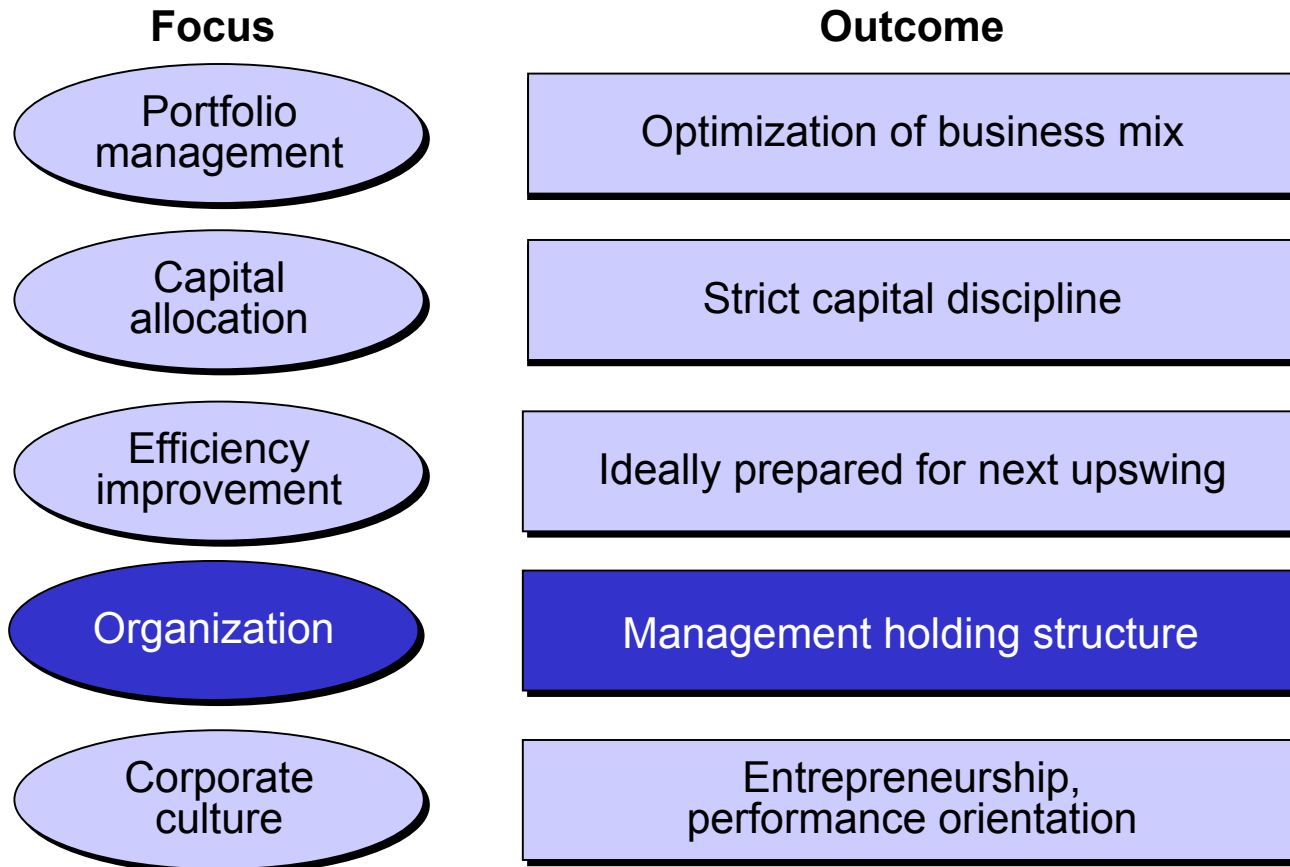


Working Capital Performance

€ million



A Far-Reaching Transformation...

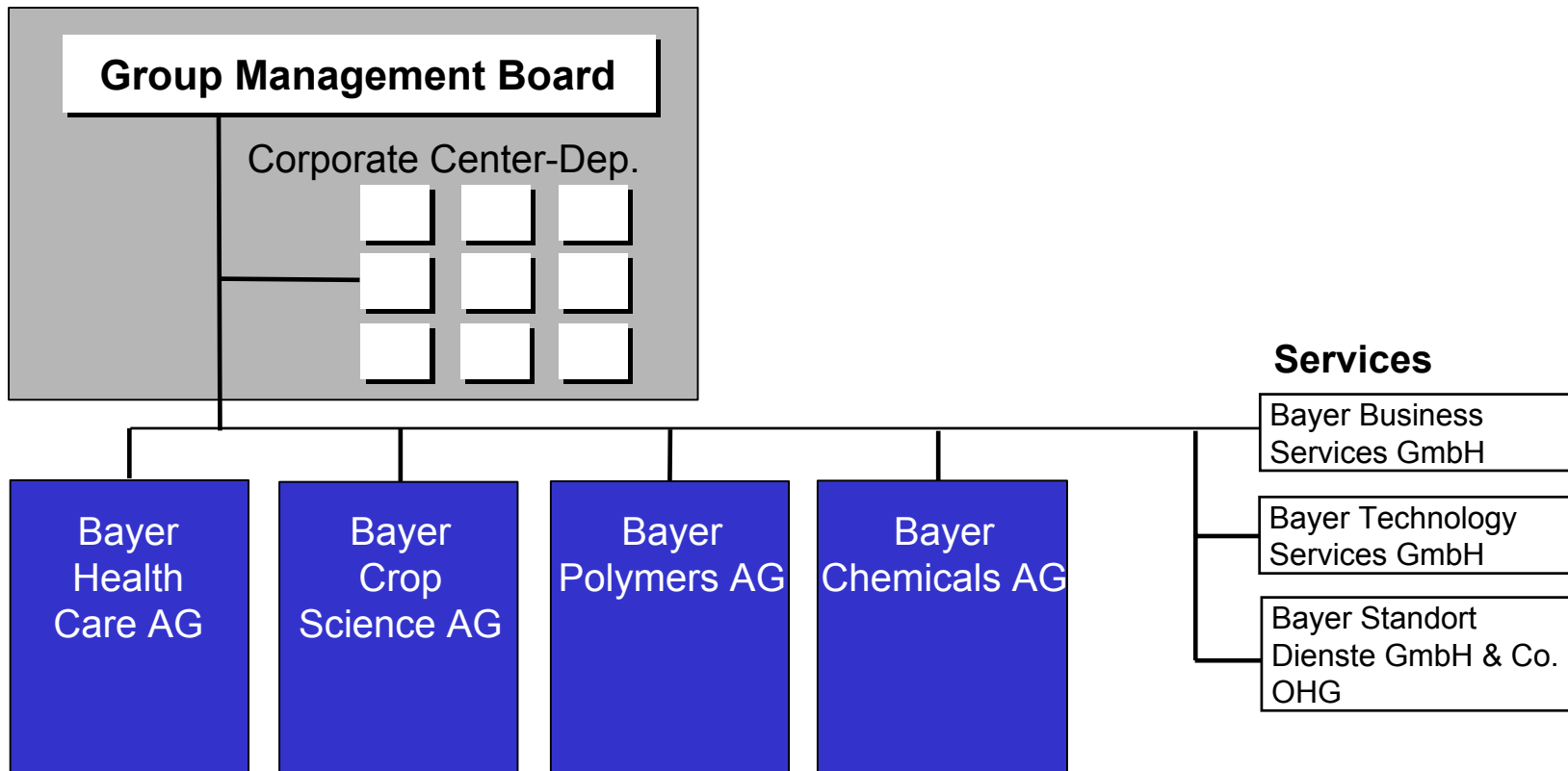


... to significantly increase corporate value

The New Bayer

Principle of new corporate structure

Most effective possible support for businesses and sufficient flexibility for mastering strategic challenges

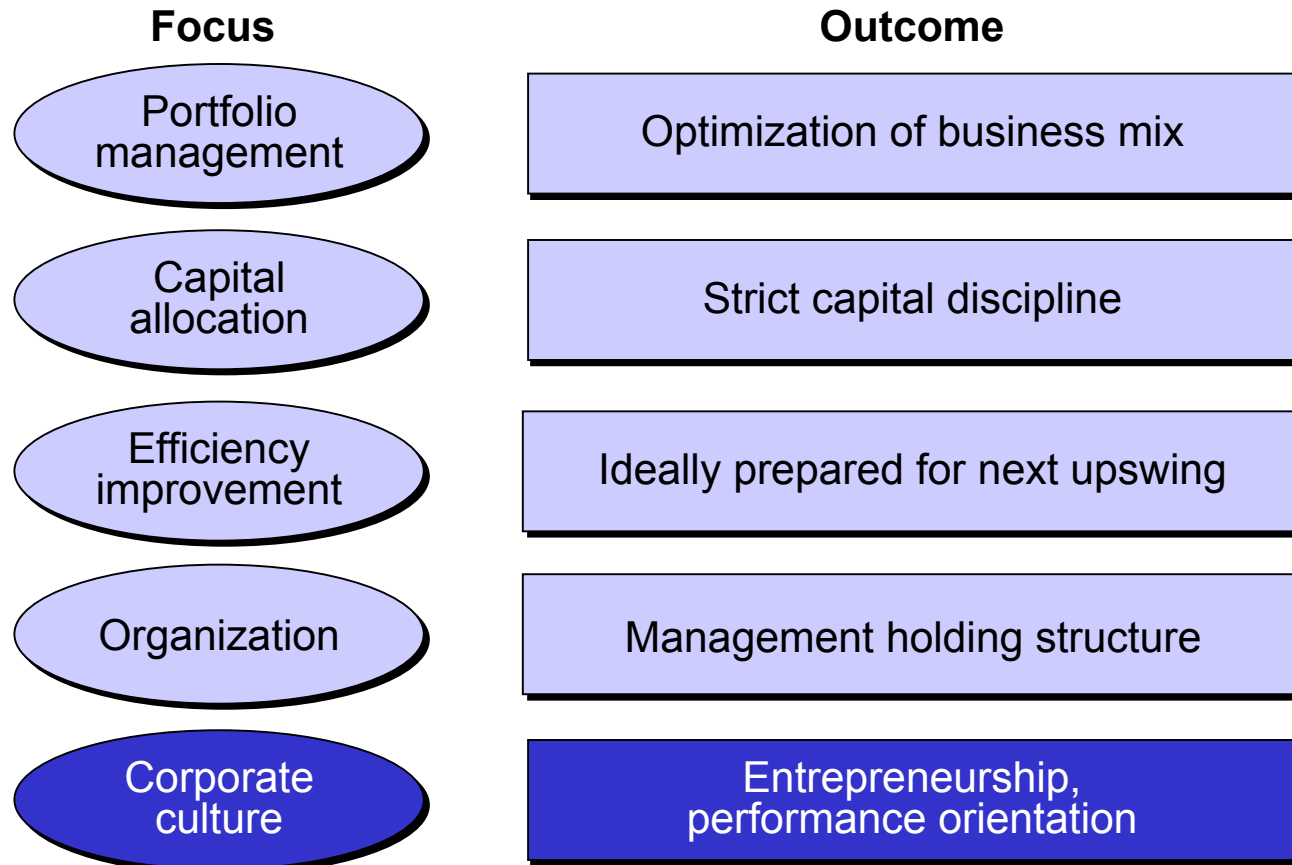


Building a Highly Competitive Business Platform



- **Stronger focus on markets, core competencies and business performance**
- **Strengthen entrepreneurial approach, direct management and direct responsibility for earnings**
- **Reduce complexity of corporate organization and governance**
- **Achieve necessary flexibility for strategic partnerships and integration of acquisitions**
- **Exploit cross-business-group synergies in business area companies more efficiently**
- **Enhance visibility and competitive stance of service functions**

A Far-Reaching Transformation...



... to significantly increase corporate value

Stock Option Plan – Value Creation Incentivized



Authorized

**Board members and first
management level**

Prerequisite

Individual investment in stock

Maturity

3 – 5 years, revolving yearly

Exercise hurdle I

30 percent performance of shares

Excercise hurdle II

Outperformance of EURO STOXX 50

Excercise hurdle III

Value creation through link to Δ CVA

Introduction

January 1st 2000



Bayer

The Transformation has begun
Financials

2002 Financial Highlights



€ million

	Q2'02	Δ %	H1'02	Δ %
● 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



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"> • Aventis CropScience + 313 • Covexx - 42 • ChemDesign - 41 • Bayer Classics - 8 • H-acid - 8 • other + 5
+ Currencies		- 276	- 1.8	
+ Prices		- 591	- 3.8	
+ Volumes		- 364	- 2.4	
• Continuing		14,281	- 6.6	

2002 Quarterly Sales Development



€ million

	2002	2001	Δ %
1st half*	14,737	15,972	- 7.7
• H & R	456	446	
• EC	•	233	
Continuing operations	14,281	15,293	- 6.6
2nd quarter*	7,504	8,071	- 7.0
• H & R	233	224	
• EC	•	57	
Continuing operations	7,271	7,790	- 6.7
1st quarter	7,233	7,901	- 8.5
• H & R	223	222	
• EC	•	176	
• Fibers	53	63	
Continuing operations	6,957	7,440	- 6.5

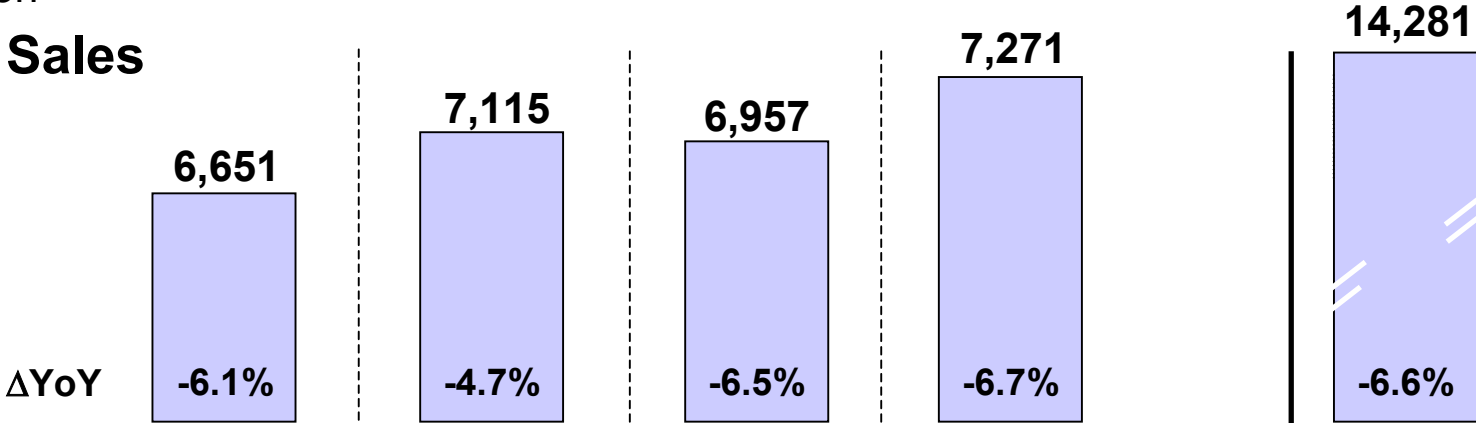
*) restated, Fibers in cont. operations



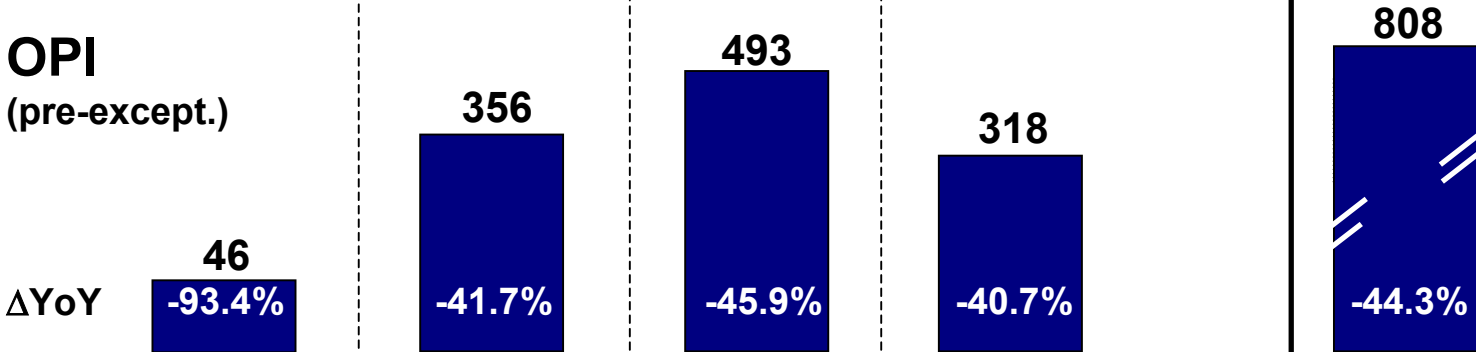
Group Quarterly Performance (cont.)

€ million

Sales



OPI (pre-except.)



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

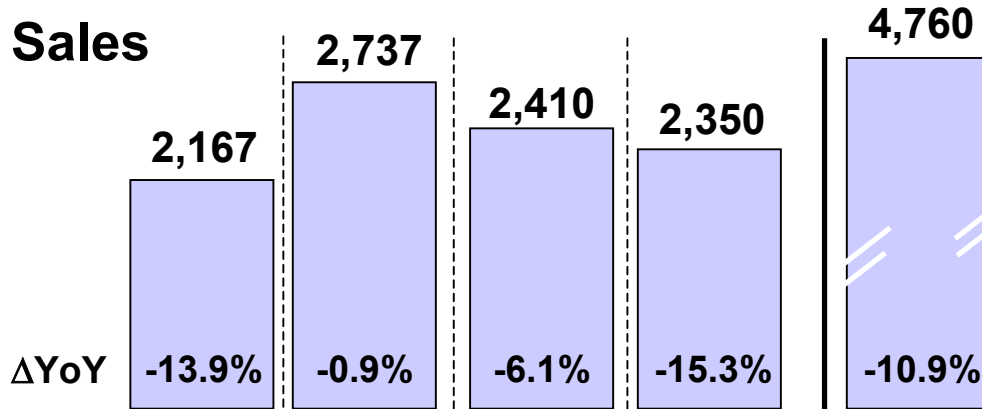
* as reported



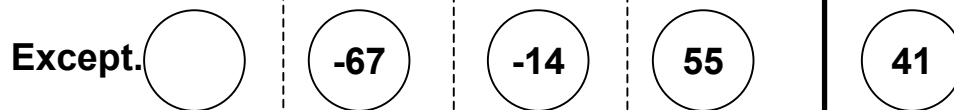
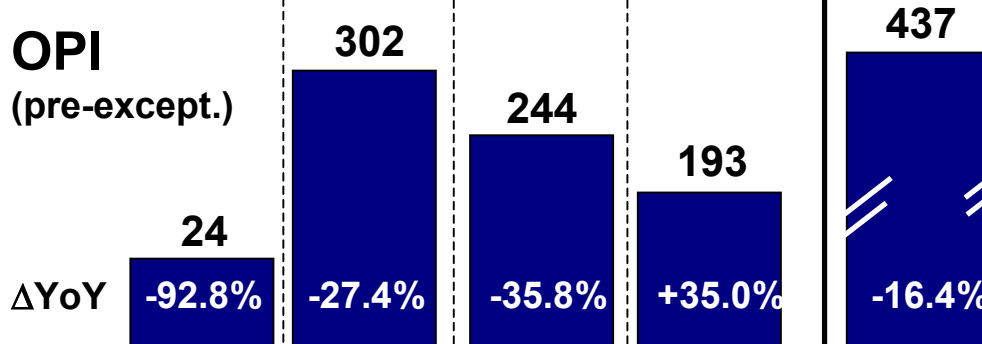
HealthCare Quarterly Performance

€ 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 40

Pharmaceuticals – Top 10 Products 1H '02



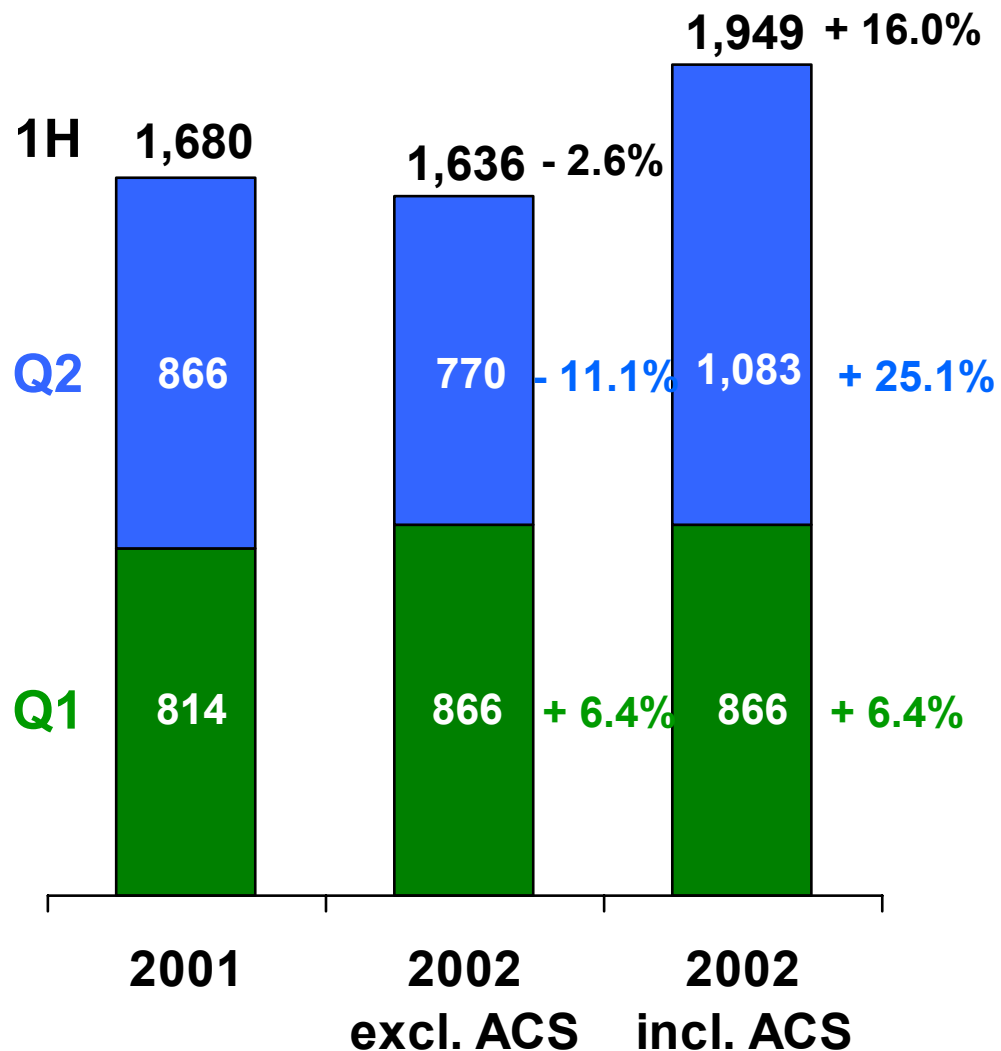
€ million

	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

CropScience: Comparable Sales Development



€ million



- Business nearly maintained in declining markets

- Trend by segment & region

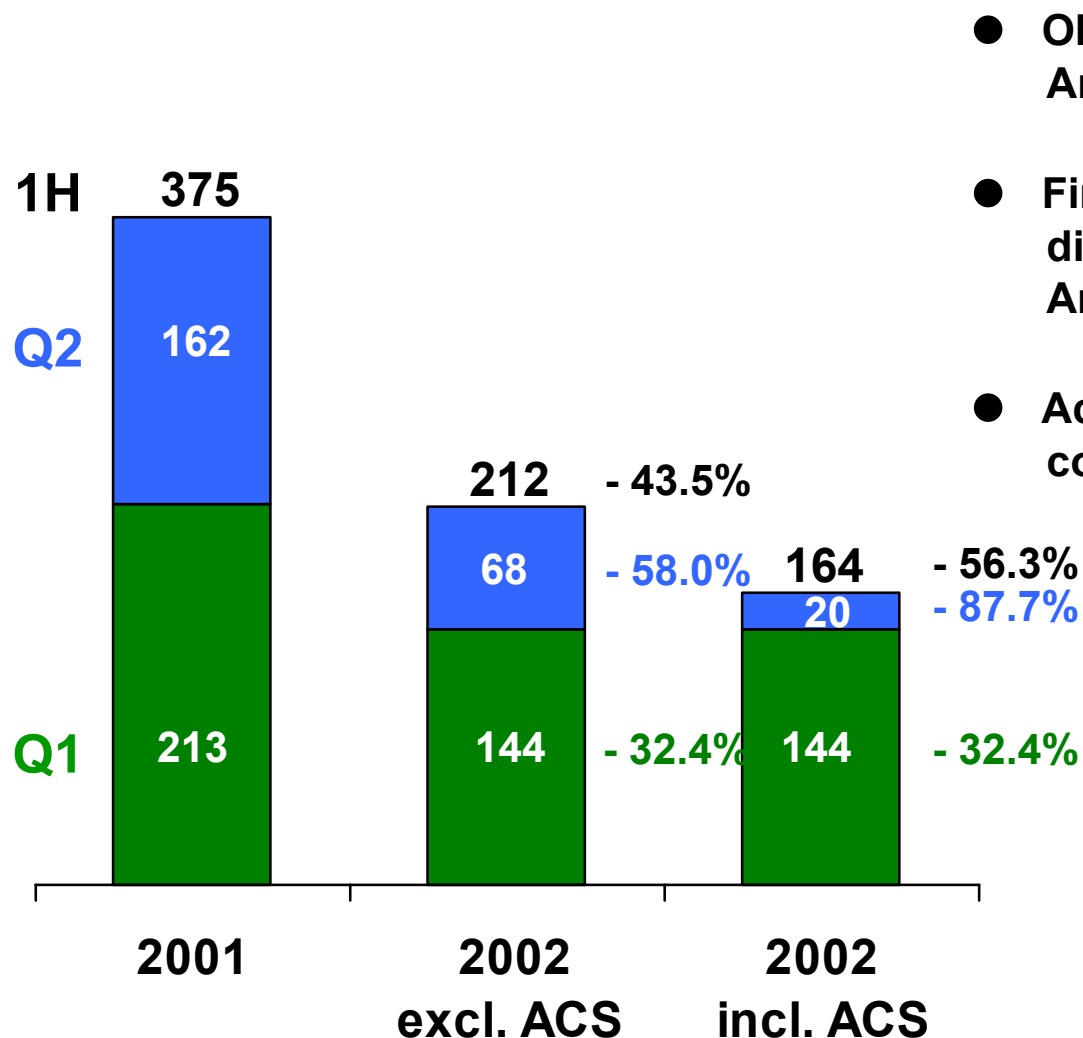
Insect.	⇒	Europe	↑
Fungic.	⇒	NAFTA	↓
Herbic.	↓	LA	↓
Env.Sci.	↑	Asia	⇒

- Including € 313m from ACS

CropScience: Comparable OPI Development



€ million



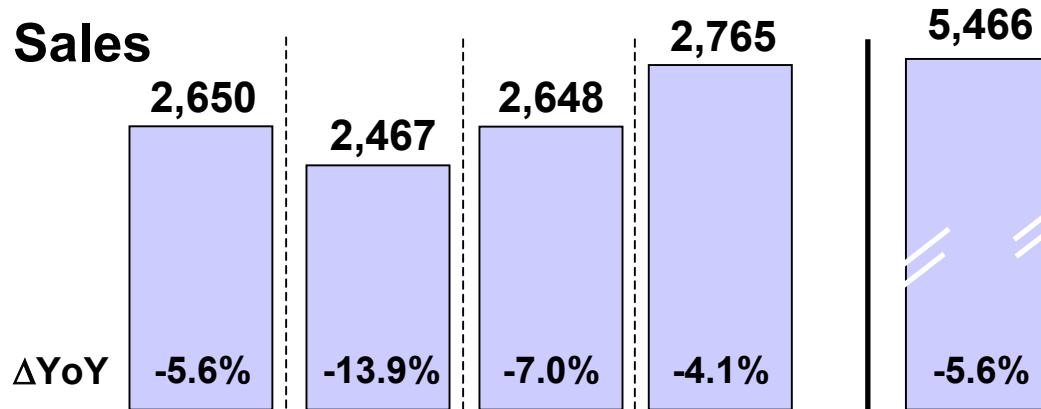
- OPI affected by situation in Argentina and Brazil: € 60m in 1H
- First-time integration of ACS dilutive by € 50m. Amortization € 80m in Q2
- Acquisition / Carve-out / Integration costs of € 40m in 1H

pre-exceptionals

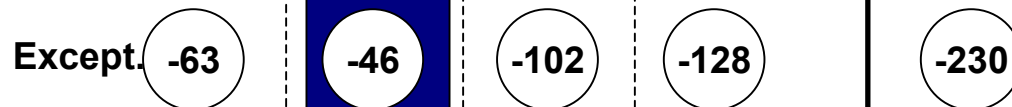
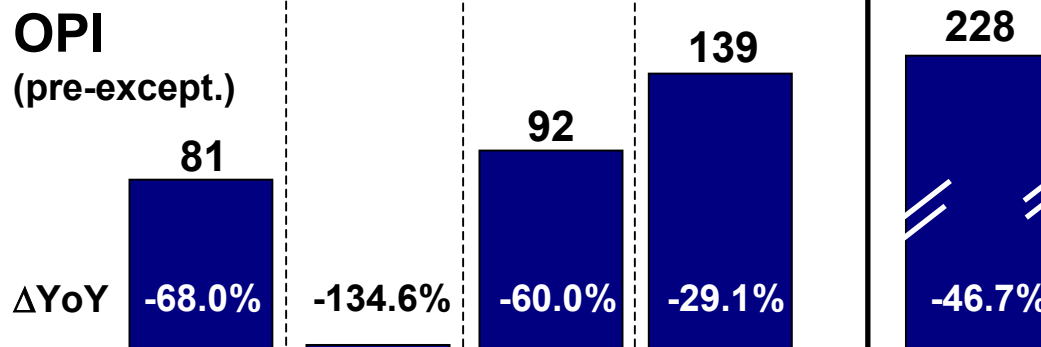
Polymers Quarterly Performance

€ million

Sales



OPI (pre-except.)



Q3'01*

Q4'01*

Q1'02

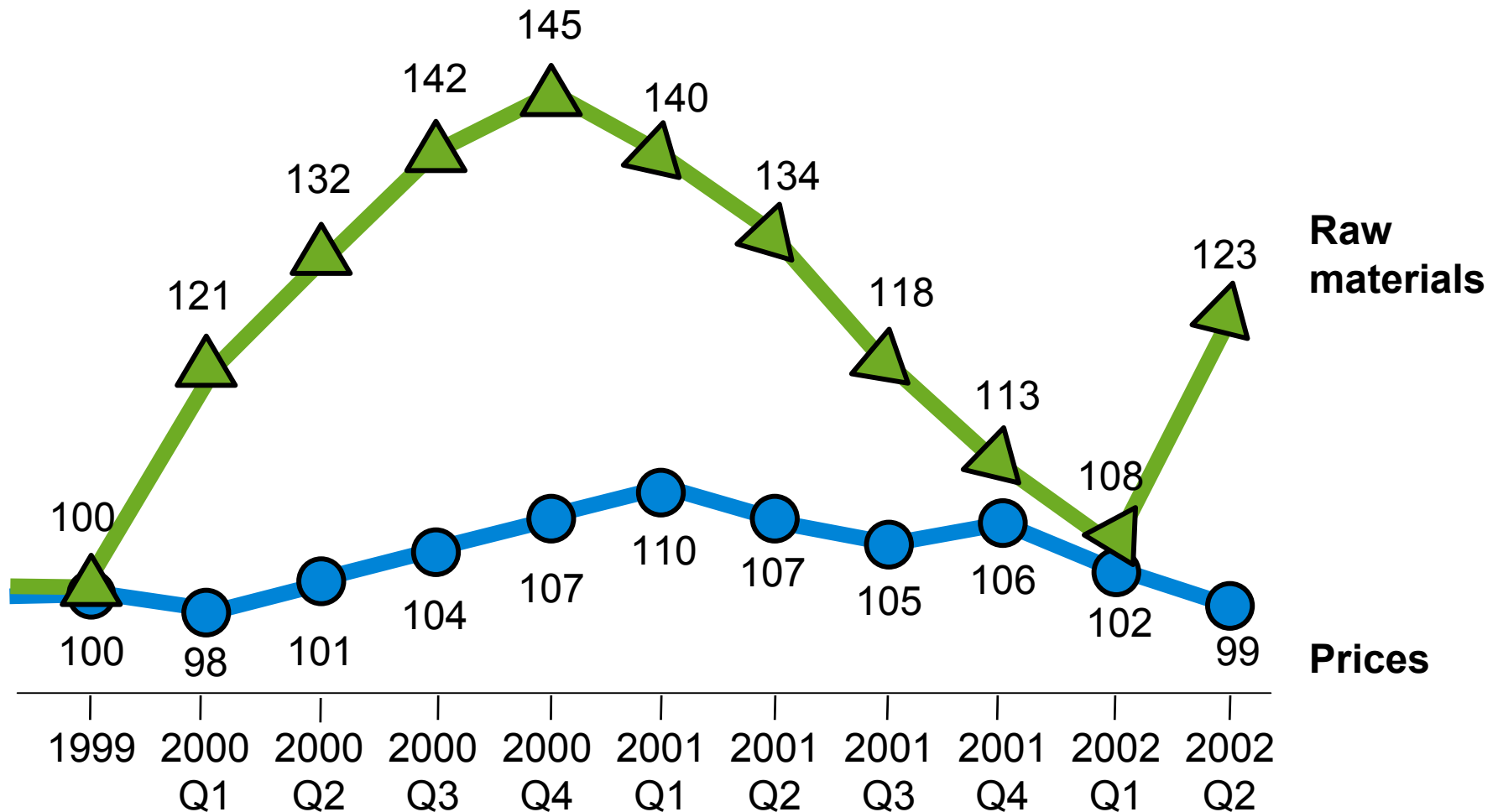
Q2'02

1H'02

- 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

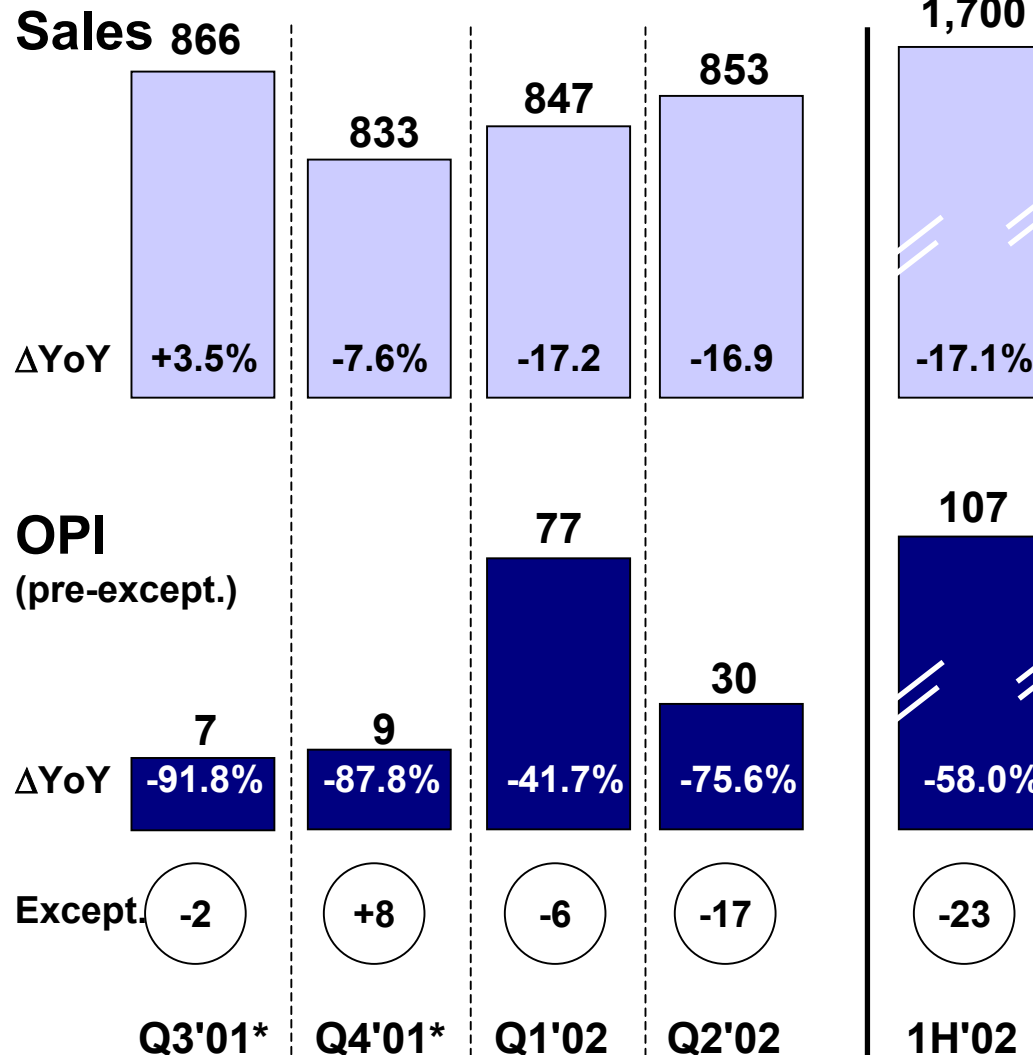
* as reported

Polymers – Raw material and selling price development



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

2002 Quarterly OPI Development



€ million

	2002	2001	Δ %
1st half*	1,088	1,671	- 34.9
• H & R	43	38	
• EC (OPI + Sale)	•	334	
• Exceptional items	237	(151)	
OPI underlying - continuing operations	808	1,450	- 44.3
2nd quarter*	248	823	- 69.9
• H & R	21	14	
• EC (OPI + Sale)	•	319	
• Exceptional items	(91)	(46)	
OPI underlying - continuing operations	318	536	- 40.7
1st quarter	840	848	- 0.9
• H & R	22	24	
• EC	•	15	
• Fibers	(3)	2	
• Exceptional items	328	(105)**	
OPI underlying - continuing operations	493	912	- 45.9

*) restated, Fibers in cont. operations

***) incl. (17) from Fibers

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
Continuing	-292	+529	+237	-187	+36	-151	+388
Discontinuing*	0	0	0	0	+317	+317	-317
Total	-292	+529	+237	-187	+353	+166	+71

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

Q2 Exceptional Items



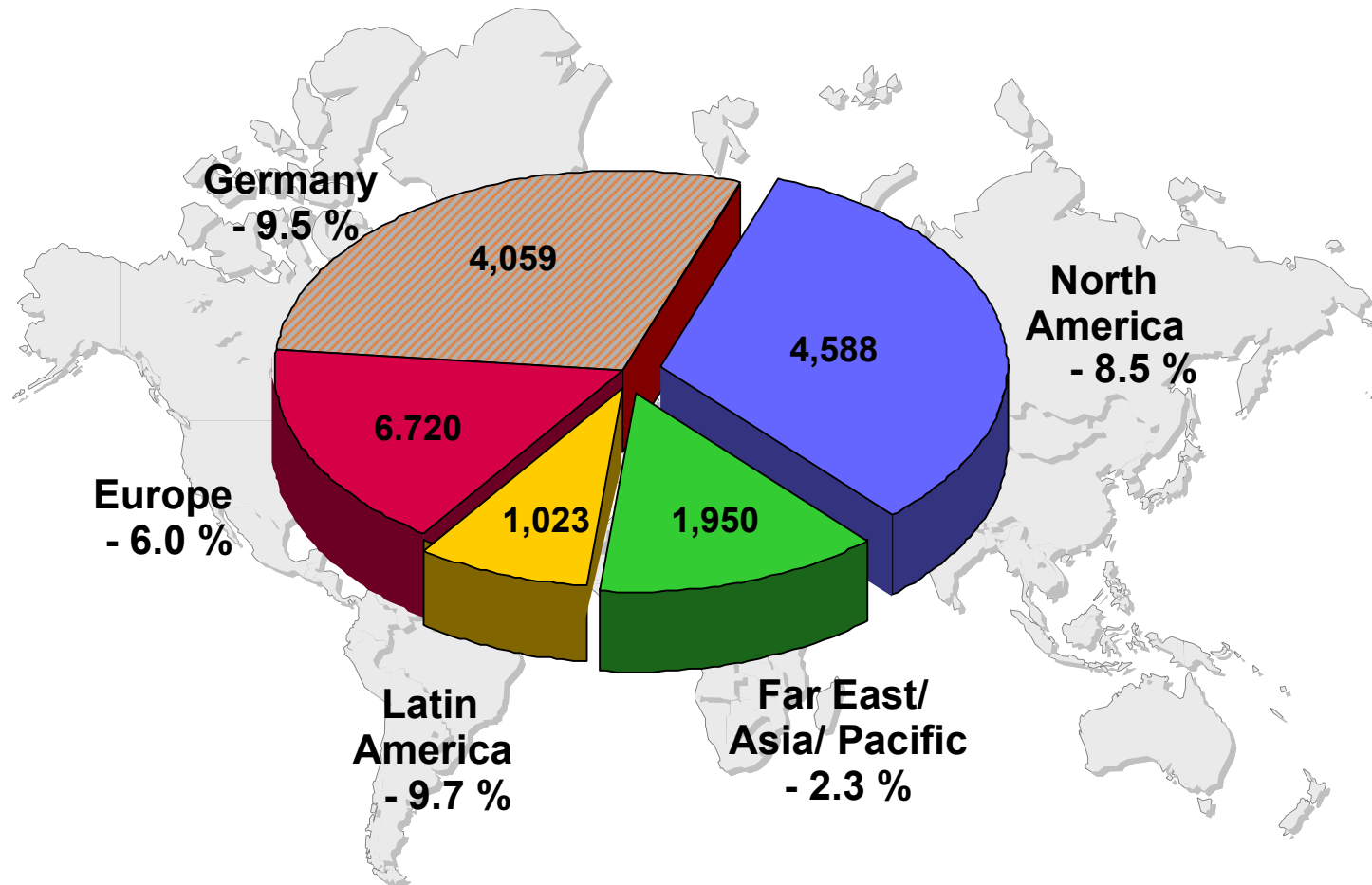
€ million

	2002			2001			
	Charge	Gain	Net	Charge	Gain	Net	Δ
HealthCare	-21	+76	+55	-12	+22	+10	+45
CropScience	0	0	0	0	0	0	0
Polymers	-128	0	-128	-20	0	- 20	- 108
Chemicals	-17	0	-17	-36	+14	- 22	+ 5
Reconciliation	-2	+1	-1	-14	0	- 14	+13
Continuing	-168	+77	-91	-82	+36	- 46	-45
Discontinuing	0	0	0	0	+317	+317	-317
Total	-168	+77	-91	-82	+353	+271	-362

1H'02 Sales by Region

Total € 14,737 million, - 7.7 %

Continuing operations: € 14,281 million, - 6.6 %





1H Non-Operating Result

€ million

	1H'02	1H'01	Δ %
Non-operating result	- 109	- 230	+ 52.6
● 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	•

Q2 Non-Operating Result



€ million

	Q2'02	Q2'01	Δ %
Non-operating result	48	- 104	•
● Income (expenses) from affiliated companies – net	+ 231	+ 11	•
● Interest expense – net	- 116	- 101	- 14.9
● Interest portion pension provisions	- 70	- 66	- 6.1
● Exchange gain – net	+ 8	+ 4	•
● Miscellaneous – net	- 5	+ 48	•

1H'02 Overview by New Reporting Segments



Sales. (Euro million)	Q1/2001	Q2/2001	H1/2001	Q1/2002	% yoy	Q2/2002	% yoy	1H/2002	% yoy
Pharma	1,422	1,510	2,932	1,257	-11.6	1,167	-22.7	2.424	-17.3
CC + DS	964	1,033	1,997	950	-1.5	971	-6.0	1.921	-3.8
Animal Health	180	232	412	203	12.8	212	-8.6	415	0.7
HealthCare	2,566	2,775	5,341	2,410	-6.1	2,350	-15.3	4.760	-10.9
Crop Protection	814	866	1,680	866	6.4	1,083	25.1	1.949	16.0
KA + KU	1,522	1,467	2,989	1,308	-14.1	1,415	-3.5	2.723	-8.9
PU + LS *	1,324	1,416	2,803	1,340	+1.2	1,350	-4.7	2.743	-2.1
Polymers	2,846	2,883	5,792	2,648	-7.0	2,765	-4.1	5.466	-5.6
Chemicals	1,023	1,027	2,050	847	-17.2	853	-16.9	1.700	-17.1

OPE pre except. (Euro million)	Q1/2001	Q2/2001	H1/2001	Q1/2002	% yoy	Q2/2002	% yoy	1H/2002	% yoy
Pharma	285	30	315	131	-54.0	38	26.7	169	-46.3
CC + DS	73	57	130	63	-13.7	112	96.5	175	34.6
Animal Health	22	56	78	50	127.3	43	-23.2	93	19.2
HealthCare	380	143	523	244	-35.8	193	35.0	437	-16.4
Crop Protection	213	162	375	144	-32.4	20	-87.7	164	-56.3
KA + KU	185	131	316	24	-87.0	98	-25.2	122	-61.4
PU + LS *	45	65	112	68	51.1	41	-36.9	106	-5.4
Polymers	230	196	428	92	-60.0	139	-29.1	228	-46.7
Chemicals	132	123	255	77	-41.7	30	-75.6	107	-58.0

* FS included in Polymers (PU + LS) effective April 1, 2002