Science For A Better Life

Investor Conference Call

FY/Q4 2006 Results

Werner Wenning, CEO

March 15 | 2007

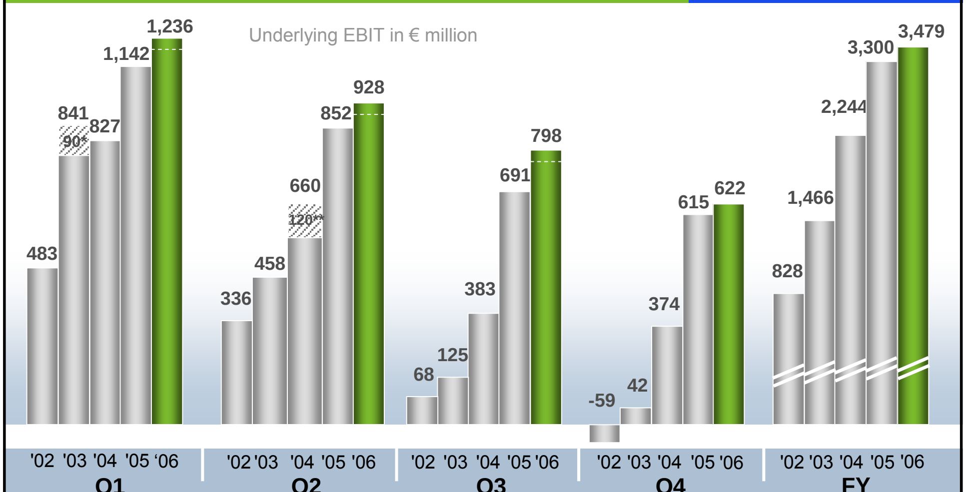
Disclaimer

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.

2006 – A Year of Significant Progress

- Premium over cost of capital close to previous year´s record level
- Strong business expansion
- Record underlying EBIT and EBITDA
- Portfolio balance shifted towards HealthCare
- Strategic and operational targets achieved
- Strong outlook: >10% progression in underlying EBITDA in 2007 and underlying EBITDA margin of 22% by 2009
- HealthCare target raised to 27% underlying EBITDA margin by 2009

We Are Delivering Performance – Now 16 Consecutive Quarters With Y-o-Y Underlying EBIT Improvement



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 in Q1 incl. Diagnostics/excl. Schering, Q4 excl. HC Starck and Wolff Walsrode

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

Q4´06 – Financial Highlights

in € million	Q4'05	Q4'06	Δ
Sales	6,371	**7,970**	+ 25%
■ HealthCare	2,157	**3,782**	+ 75%
■ CropScience	1,377	**1,302**	- 5%
■ MaterialScience	2,448	**2,532**	+ 3%
EBITDA underlying	937	**1,258**	+ 34%
■ HealthCare	339	**796**	+ 135%
■ CropScience	202	**142**	- 30%
■ MaterialScience	404	**307**	- 24%
EBIT underlying	553	**622**	+ 12%
Non-operating result	(167)	**(77)**	+ 54%
Net income	46	**311**	•
Core EPS (in €)	0.46	**0.74**	+ 61%
Net cash flow	1,182	**1,493**	+ 26%

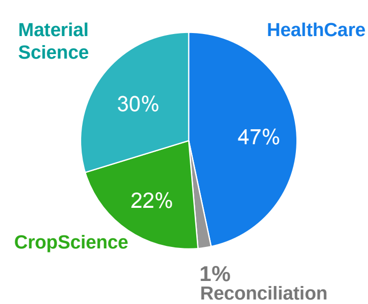
2006 – A Year of Significant Progress

Key Figures

In € million, Δ% y-o-y

	Sales 28,956	**EBITDA*** 5,584	**EBIT*** 3,479	**Core EPS** €3.24
Δ%	+ 17%	+ 21%	+ 14%	+ 14%
Δ% Adj. **	+ 5%			

Underlying EBITDA by Subgroup



* before special items
** currency & portfolio adjusted

Bayer Sales – Behind The Numbers

	FY´06 Sales	Δ y-o-y Fx- and porfolio adjusted	
Pharmaceuticals	€ 7,478m	+11.5%	Faster than market
Consumer Health	€ 4,246m	+8.4%	All divisions faster than market
Crop Protection	€ 4,644m	- 3.5%	Resilience in challenging markets
EnvironSc/BioSc	€ 1,056m	+ 3.7%	Solid momentum
Materials	€ 2,925m	+ 3.3%	Strong volume growth, double-digit in PCS
Systems	€ 7,236m	+ 8.9%	Growth above trend rates
Group	**€ 28,956m**	**+ 5.2%**	**Above target**

Our Key Pharma Growth Drivers Performed Strongly in 2006

in € million	FY'05	FY'06	Δ
Betaferon/Betaseron*	867	**991**	+ 14%
Yasmin/YAZ/Yasminelle*	586	**794**	+ 36%
Kogenate	663	**787**	+ 19%
Adalat	659	**657**	0%
Cipro	525	**513**	- 2%
Avalox/Avelox	364	**396**	+ 9%
Levitra	260	**314**	+ 21%
Magnevist*	328	**323**	- 2%
Mirena*	243	**301**	+ 24%
Glucobay	295	**308**	+ 4%
…			
Nexavar	-	**130**	•

*Pro-forma full year sales of newly acquired Schering products

Bayer Sales – Behind The Numbers

	FY´06 Sales	Δ y-o-y Fx- and porfolio adjusted	
Pharmaceuticals	€ 7,478m	+11.5%	Faster than market
Consumer Health	€ 4,246m	+8.4%	All divisions faster than market
Crop Protection	€ 4,644m	- 3.5%	Resilience in challenging markets
EnvironSc/BioSc	€ 1,056m	+ 3.7%	Solid momentum
Materials	€ 2,925m	+ 3.3%	Strong volume growth, double-digit in PCS
Systems	€ 7,236m	+ 8.9%	Growth above trend rates
Group	**€ 28,956m**	**+ 5.2%**	**Above target**

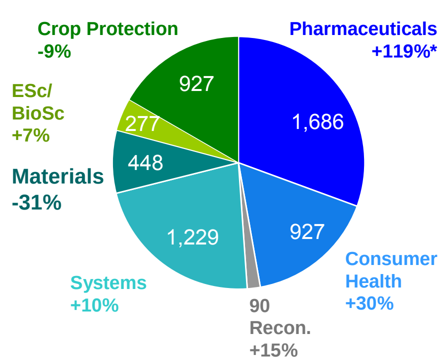
In 2006 We Generated Record Underlying EBITDA and EBIT

Group and Subgroups

In € million

	Group	Health Care	Crop Science	Material Science
EBITDA underlying	5,584	2,613	1,204	1,677
Δ%	+21%	+76%	- 5%	- 5%
EBIT underlying	3,479	1,715	641	1,210
Δ%	+14%	+46%	- 6%	- 6%

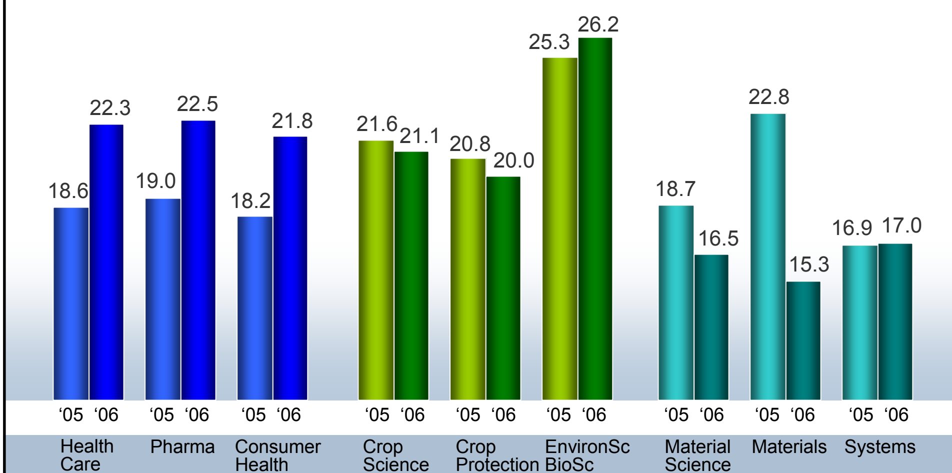
Underlying EBITDA by Segment



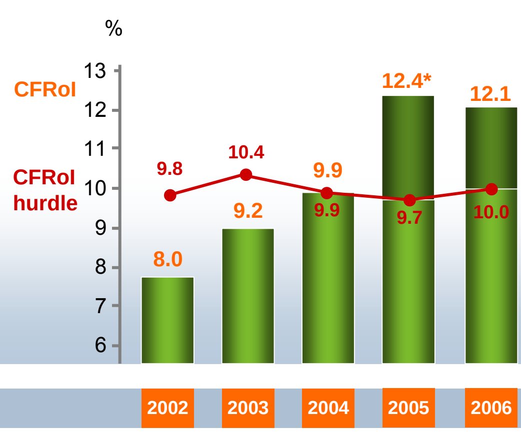
* Plus 18% excl. Schering

Majority of Portfolio Performed Strongly in 2006

Underlying EBITDA margins in %



Profitable Growth – Attractive Premium Over Capital and Asset Reproduction Costs



Value Generation in 2006

- CVA of €725m
- HealthCare and MaterialScience exceeded their target returns including asset reproduction
- CFRoI is the ratio of gross cash flow to capital invested (€32.3bn)
- CFRoI-hurdle (10.0%) is the minimum return required to cover cost of capital and reproduction of depletable assets
- Group WACC at 7.0%

*CFRoI as reported in 2005, 12.5% if portfolio adjusted

2006 Results Compare Favorably Against Objectives

	FY´06 Objectives	Last Update*	FY´06 Actual
Sales	> €28 bn	Approx. €28.7 bn	€28,956 m
EBITDA (underlying)	Slight improvement	Approx. €5.5 bn	€5,584 m (+21%)
EBITDA margin	Approx. 19%		19.3% (+70bp)
EBIT (underlying)	Slight improvement	Approx. €3.4 bn	€3,479 m (+14%)
Value generation	Premium over cost of capital and asset reproduction		CFRoI at 12.1% or 2.1% premium

* Guidance minus H.C. Starck and Wolff Walsrode

Bayer´s Transformation Has Paid Off

Operating Performance

- Premium over capital and asset reproduction costs at record level
- Underlying EBIT greatly improved (from €828 m in 2002 to €3.5 bn in 2006)
- Mid-term EBITDA margin target achieved (from 12% in 2002 to 19% in 2006)
- Significant scope identified to further improve the cost base

Portfolio/Strategy

- Portfolio balance shifted towards HealthCare (from 32% in 2002 to 46% in 2006 (pro-forma))
- HealthCare business grown from €9 bn in 2002 to a future €14-15 bn business
- Pharmaceutical sales more than doubled (from €5bn in 2002 to >€10 bn in 2006 (pro-forma))
- OTC business doubled
- Now market leader in agrochemicals
- Exited all our mature chemicals activities in several stages

We will continue to execute our clear strategy to improve performance and optimize our portfolio

Priorities 2007 – Consolidate and Prepare For Continued Transformation As Soon As Possible

- Drive performance and exploit potential of significantly improved portfolio
  - ► Q1´07 report on May 8, 2007
- Maintain strong growth momentum
  - ► Presentation of combined pharma pipeline at Bayer HealthCare Investor Day on June 18-19, 2007, in Leverkusen, Germany
- Successfully integrate Schering and realize targeted synergies
- Continue to optimize business portfolio
- Reduce net debt

Achievement of 2009 Targets Would Move Our Profitability Into a New Order of Magnitude

2007 Sales and earnings expectations

- **Group**
  Increase sales and underlying EBITDA by >10%. Margin* slightly up.
- **HealthCare**
  Growth in all divisions at or above market. Margin* improvement toward 24%.
- **CropScience**
  Growth slightly above market. Margin* increase toward 22%.
- **MaterialScience**
  Higher volumes and good, value-creating earnings level. Significantly higher margin* in Q1´07 versus Q4´06.

… and beyond

- **Group – Timeline specified**
  ~22% underlying EBITDA margin by 2009
- **HealthCare – Raised**
  ~27% underlying EBITDA margin by 2009
- **CropScience – Unchanged**
  ~25% underlying EBITDA margin by 2009
- **MaterialScience – New**
  Attractive premium over capital and asset reproduction costs even in difficult market environment. Margin* in excess of 18% under favorable economic conditions

* Underlying EBITDA margin