



Bayer

The Transformation has begun
1st Half 2002 Results

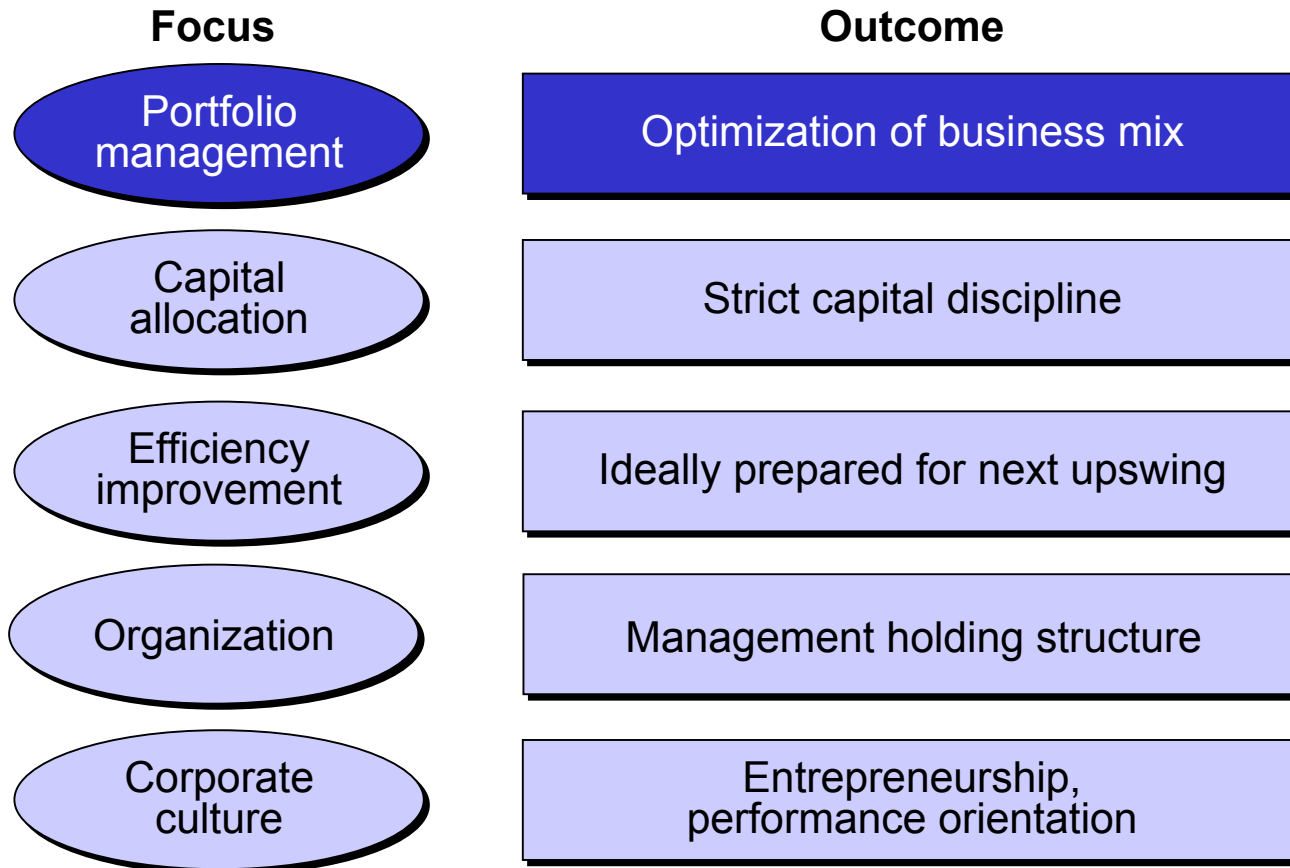


Safe Harbor

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...



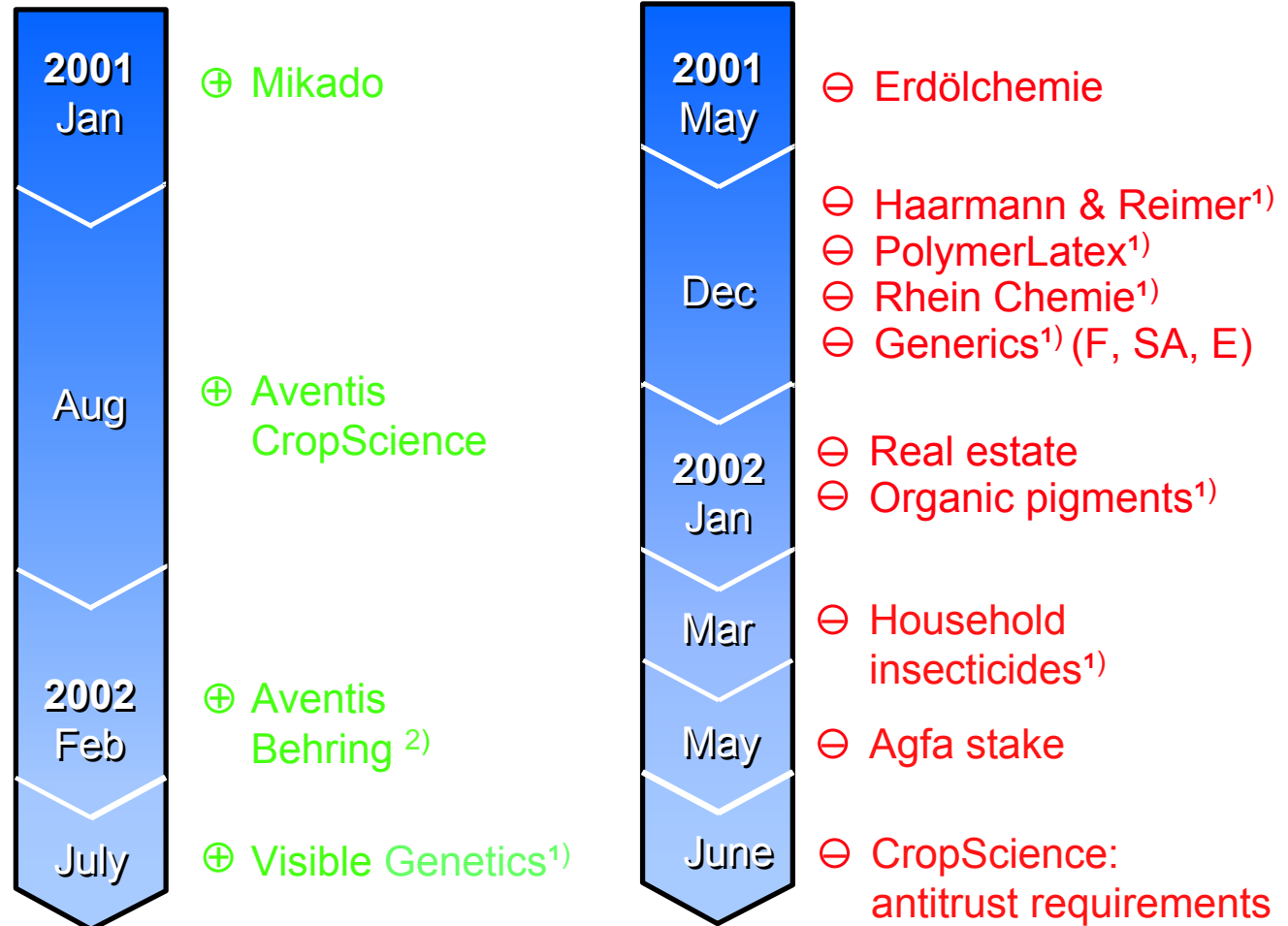
... to significantly increase corporate value

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

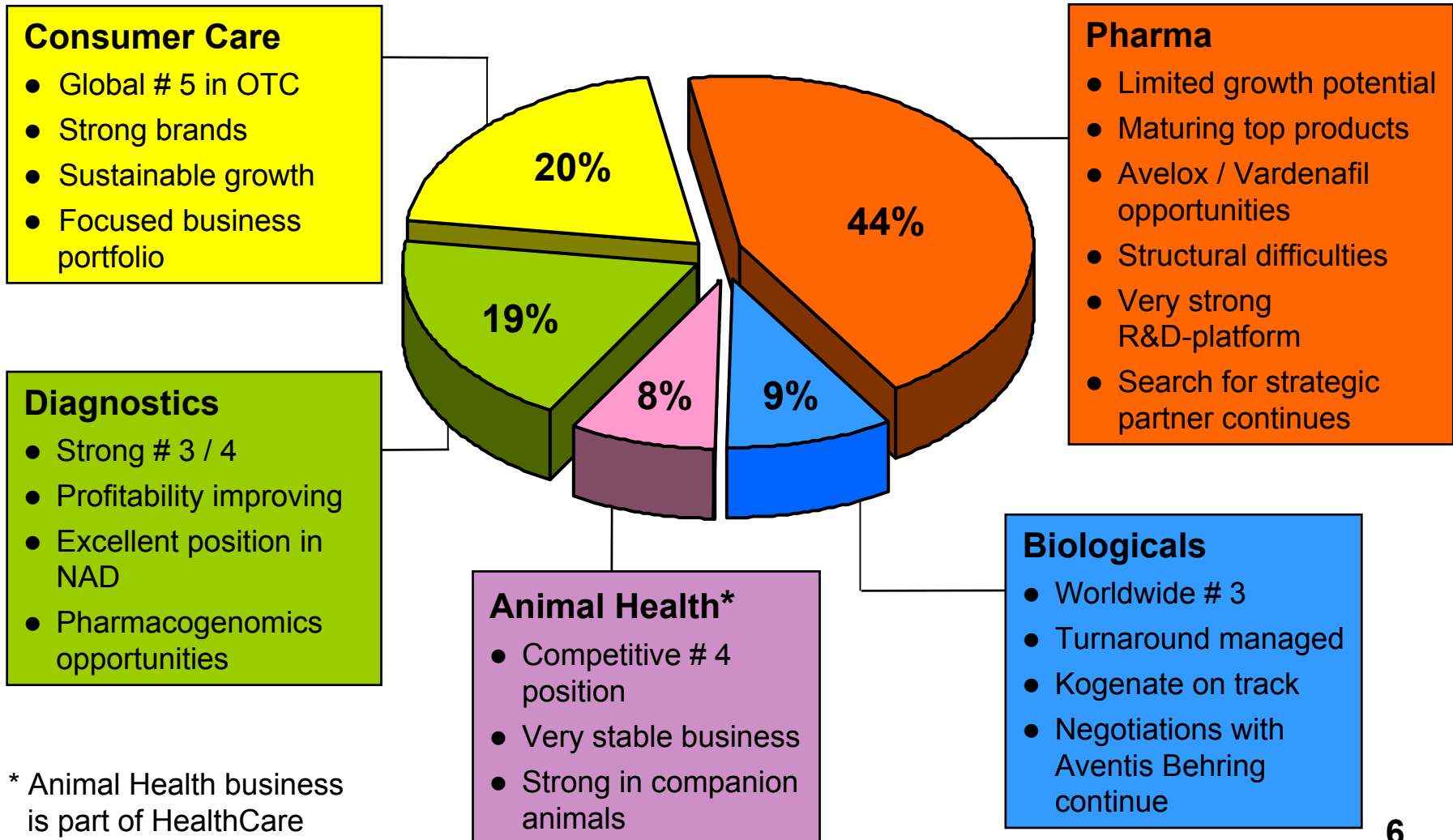


HealthCare	CropScience	Polymers	Chemicals
Find strategic partner	Successfully manage ACS integration	Expand global leadership	Participate in industry consolidation
<ul style="list-style-type: none"> ▶ Life cycle management of established products ▶ Successful launch of new products ▶ Build the pipeline ▶ 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



Consumer Care

- Global # 5 in OTC
- Strong brands
- Sustainable growth
- Focused business portfolio

Pharma

- Limited growth potential
- Maturing top products
- Avelox / Vardenafil opportunities
- Structural difficulties
- Very strong R&D-platform
- Search for strategic partner continues

Diagnostics

- Strong # 3 / 4
- Profitability improving
- Excellent position in NAD
- Pharmacogenomics opportunities

Animal Health*

- Competitive # 4 position
- Very stable business
- Strong in companion animals

Biologicals

- Worldwide # 3
- Turnaround managed
- Kogenate on track
- Negotiations with Aventis Behring continue

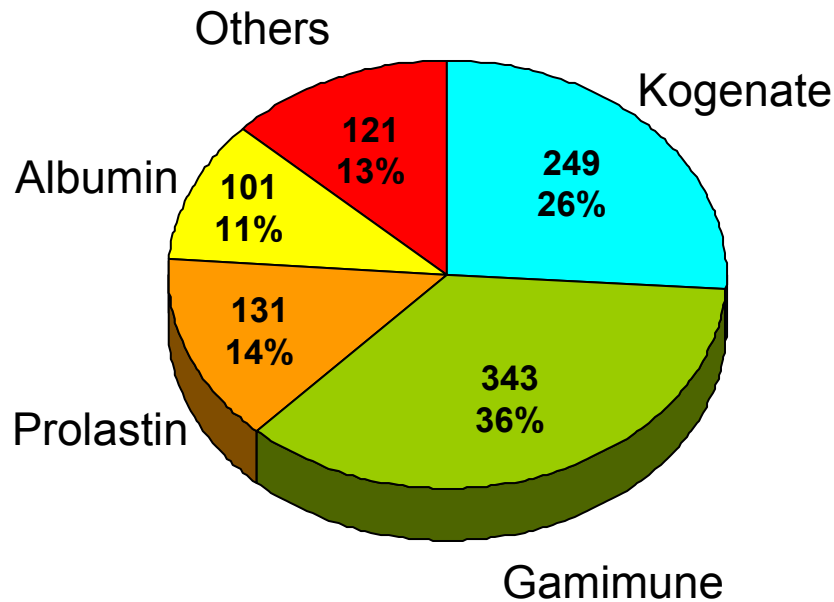
* Animal Health business is part of HealthCare effective January 1, 2002

Building a New Biologicals Company*



€ million

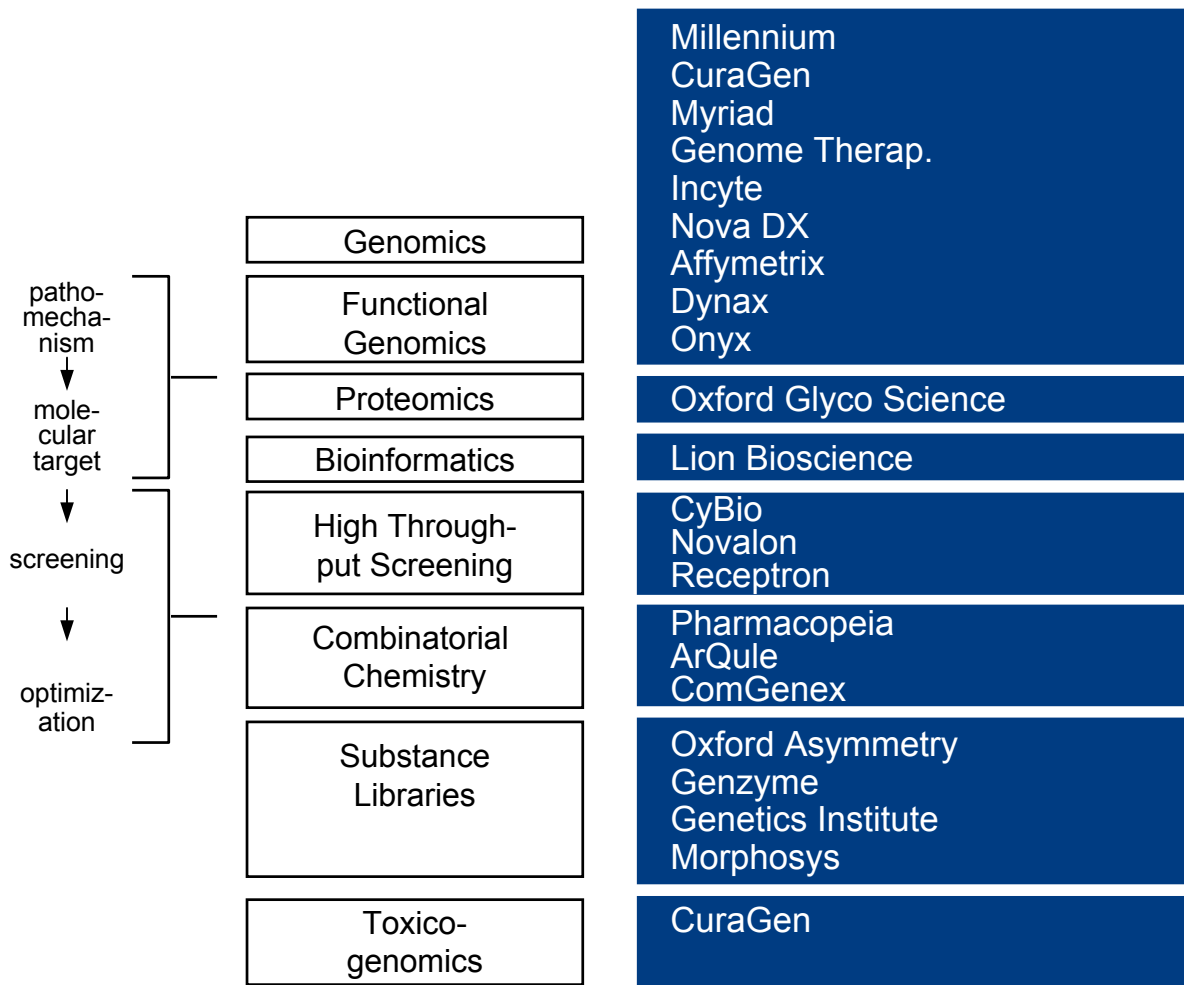
Bayer Biologicals
Sales 2001: € 945 million



- 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

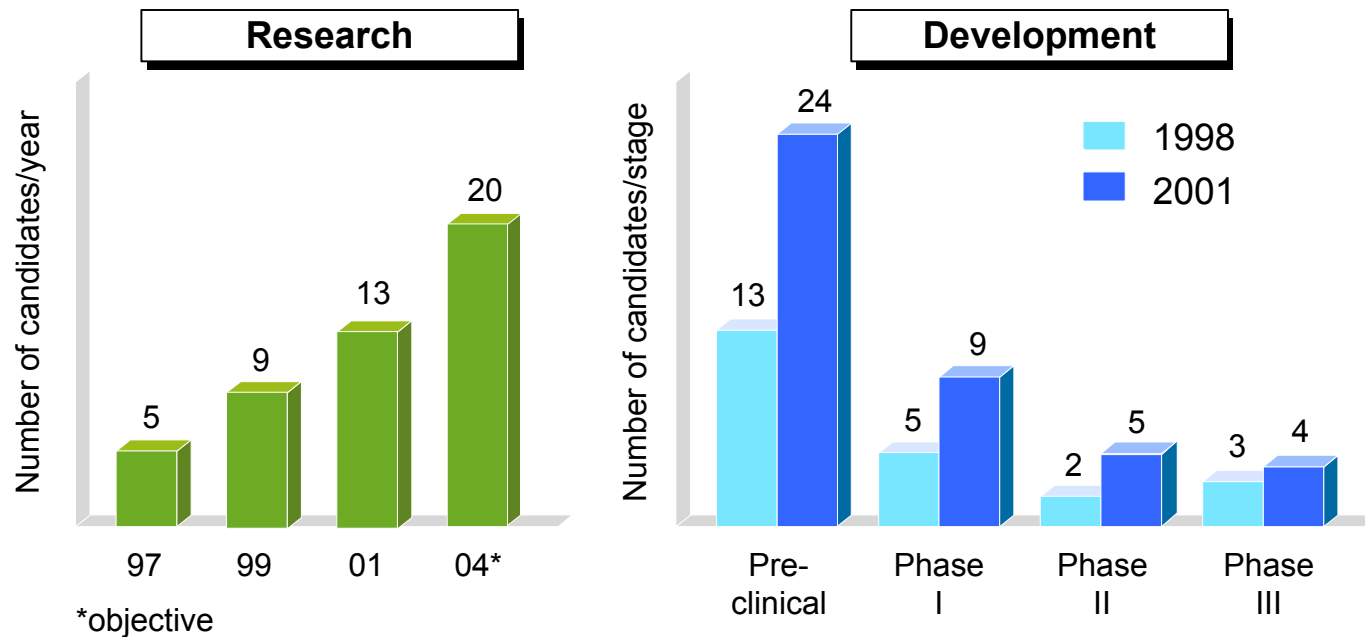
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A World Class Drug Discovery Platform



- 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

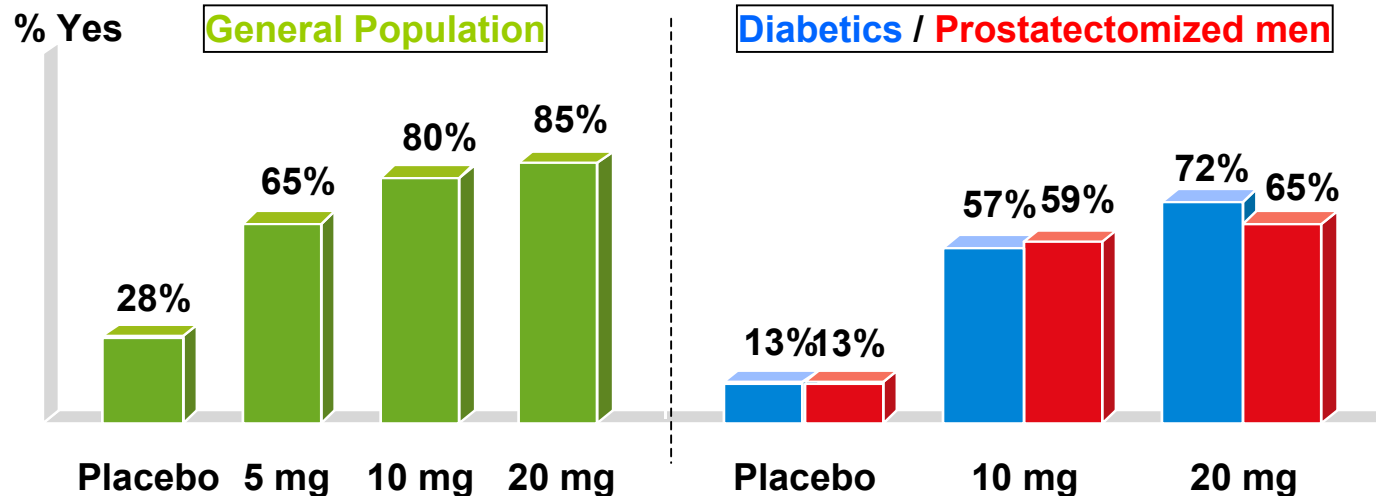
- Vardenafil: highly selective and potent PDE 5 inhibitor, filed in US, EU and Japan
- Cipro OD: innovative once daily formulation, filed in US
- Acarbose IGT: new indication for Glucobay/Precose
- Repinotan: intravenous drug for the treatment of acute stroke
- Faropenem: new broad spectrum antibiotic



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

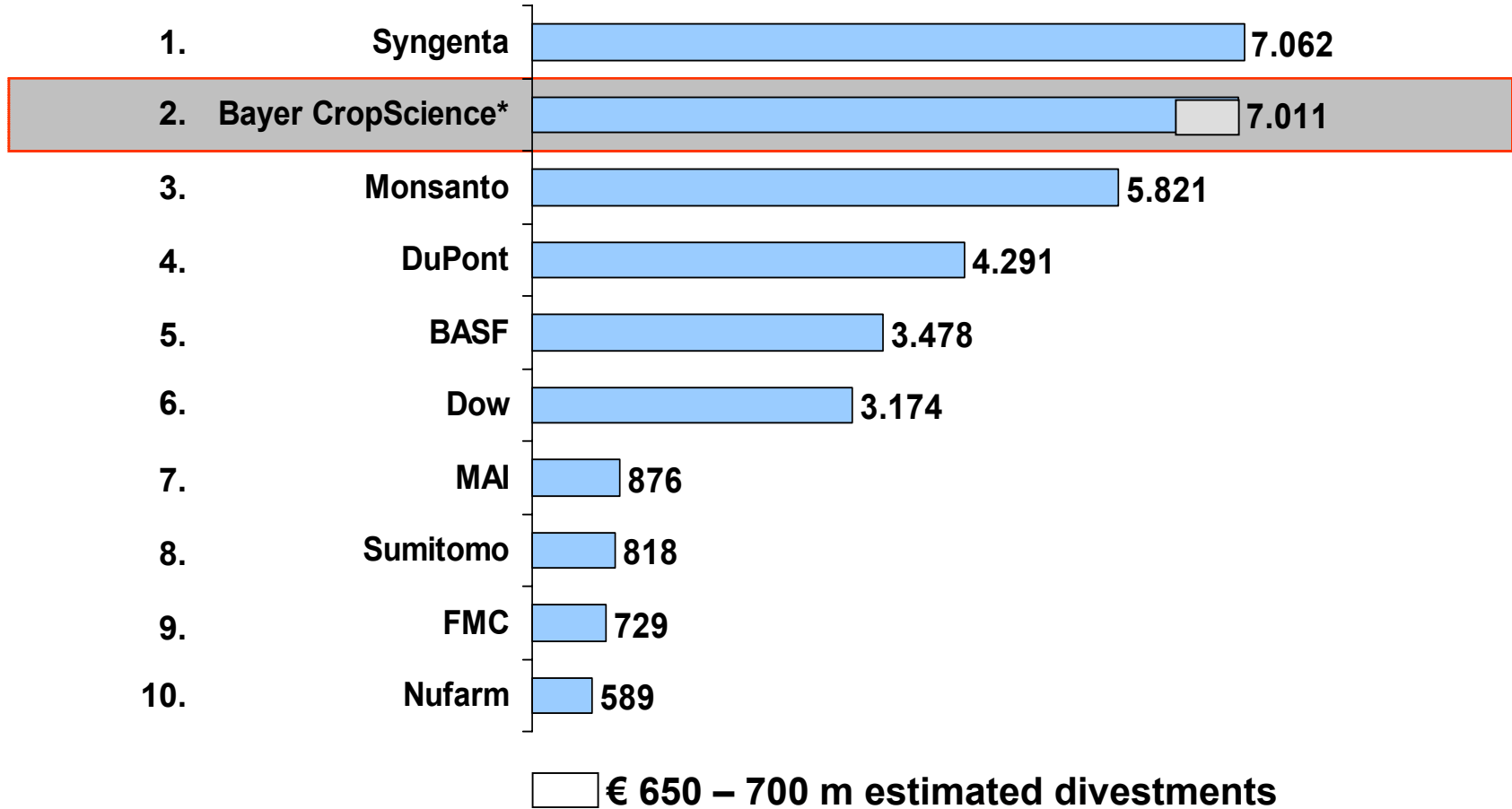


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Leading AG Companies – Turnover 2001

€ 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

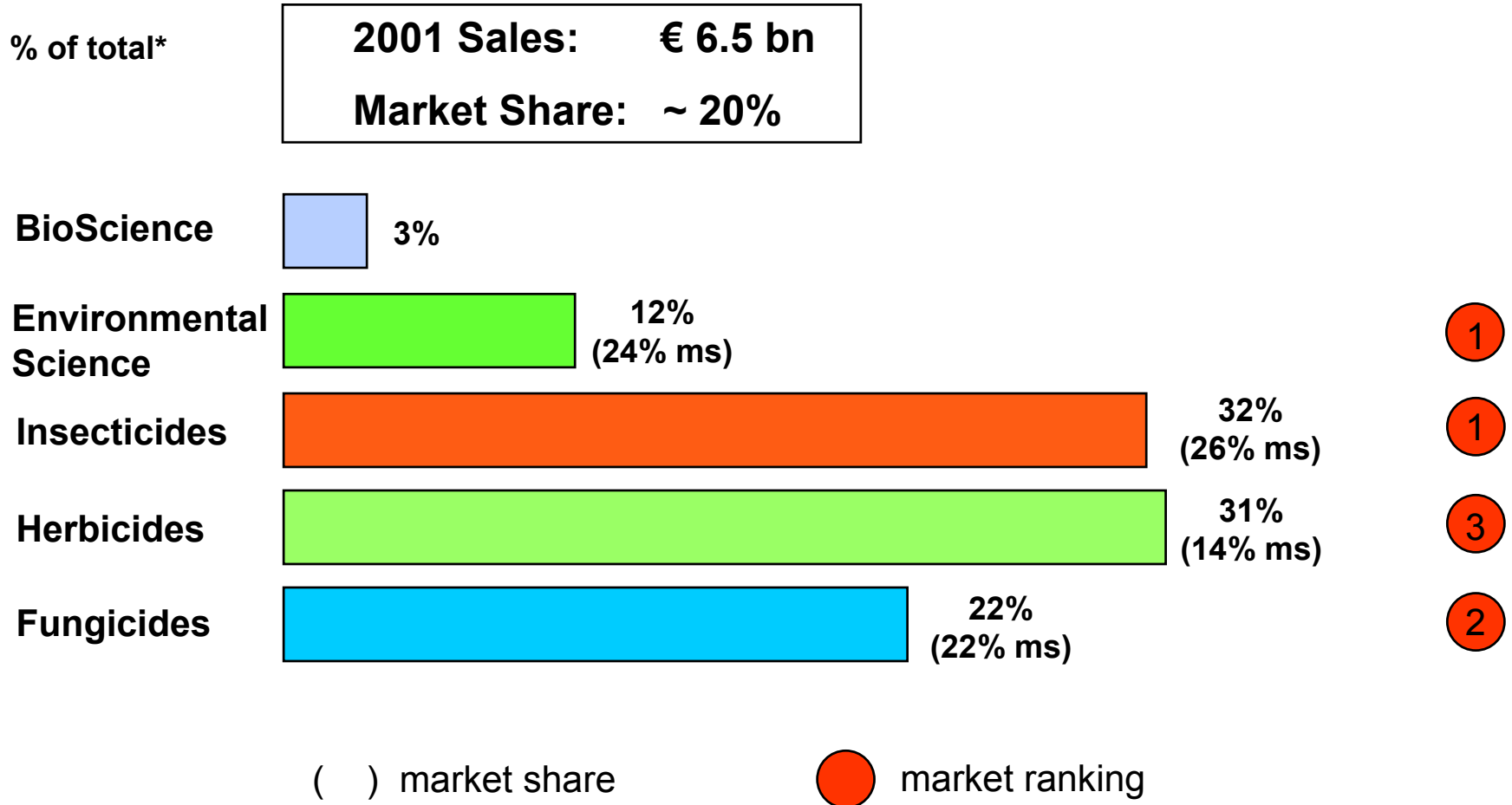
- EU business for ACS fungicides, mainly used for seed treatment

Herbicides

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

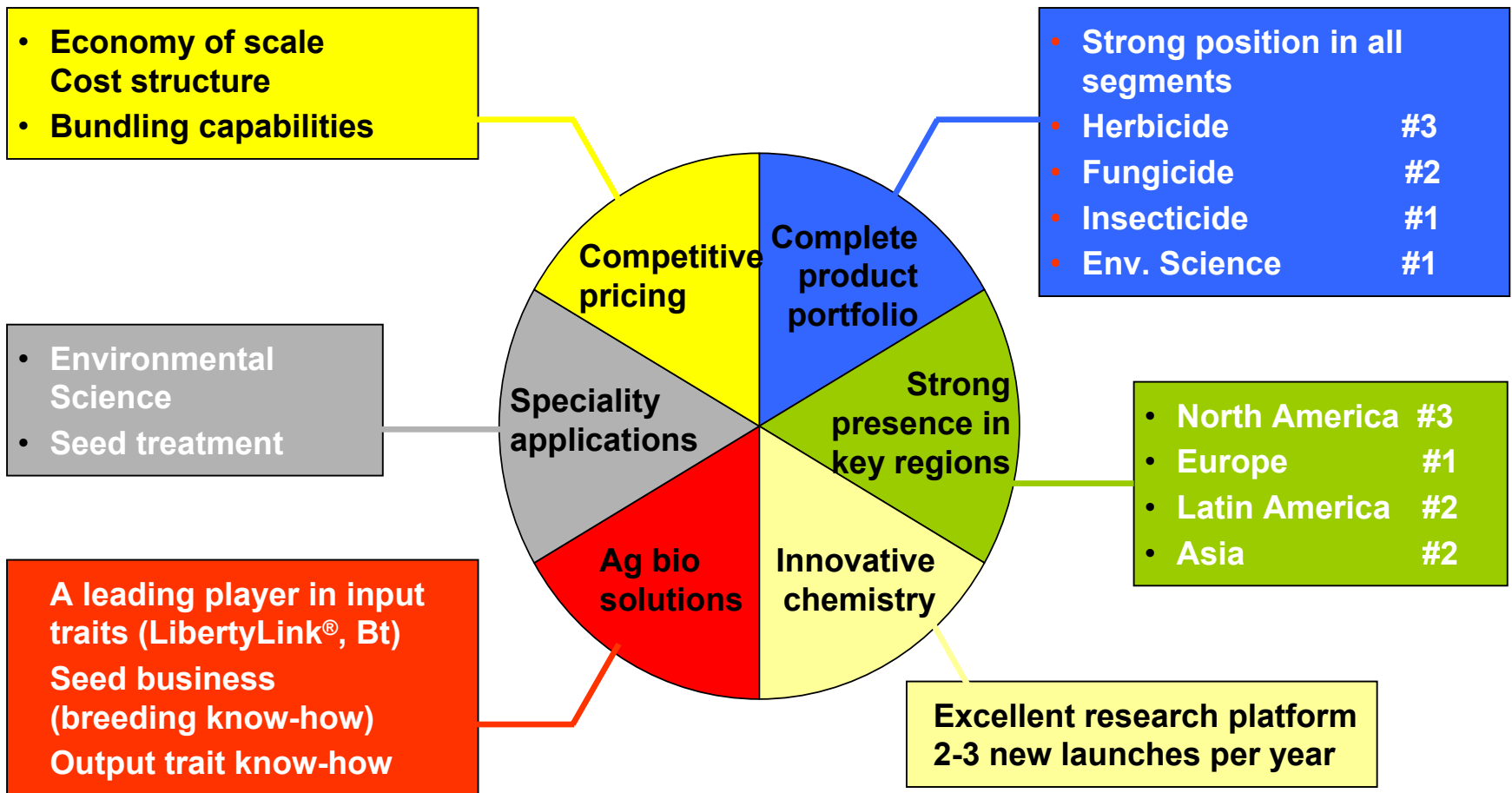
- **Strategic rationale for the acquisition remains intact**

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**

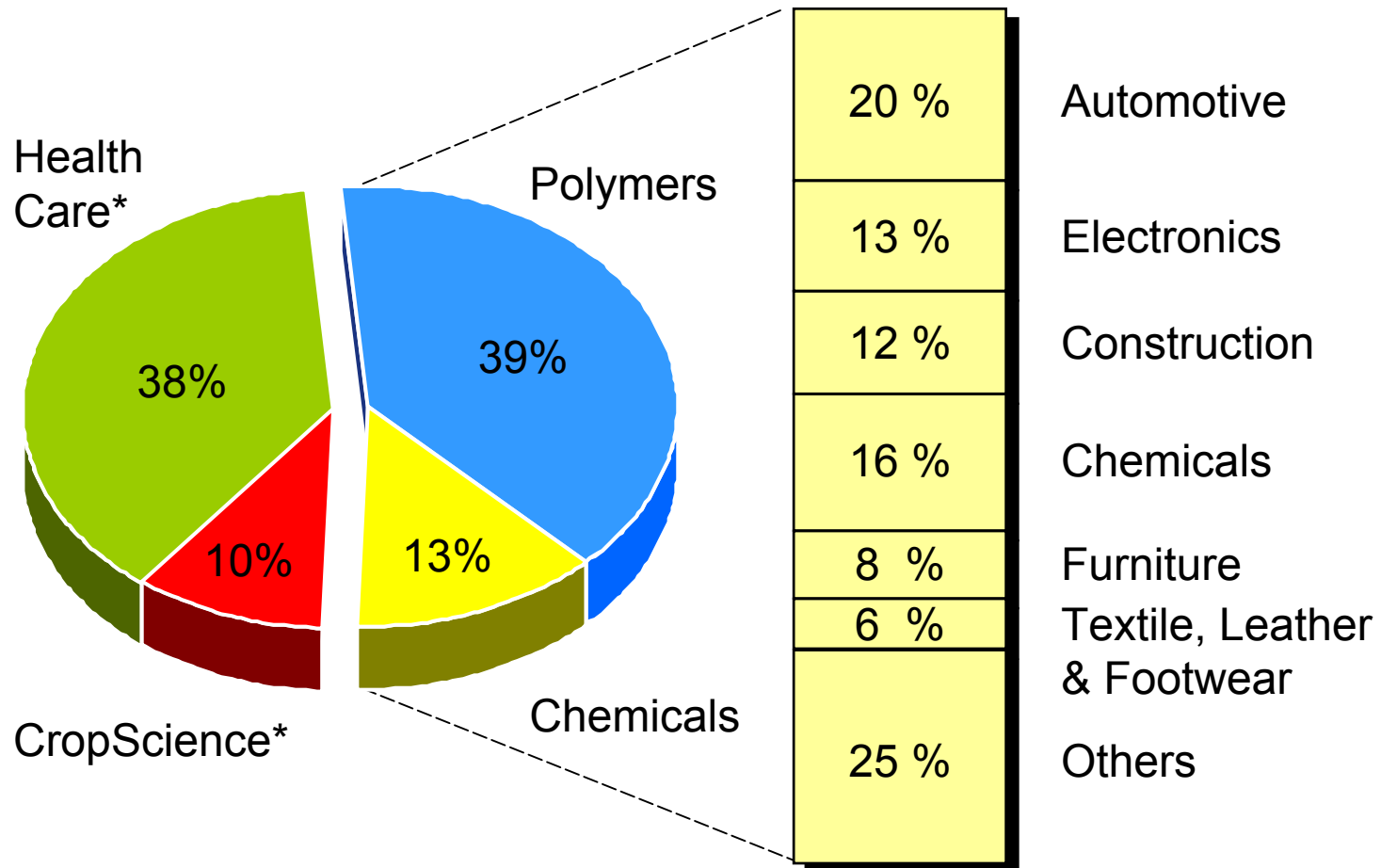
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Customer Structure

Sales 2001: € 14.5 bn (Polymers & Chemicals)

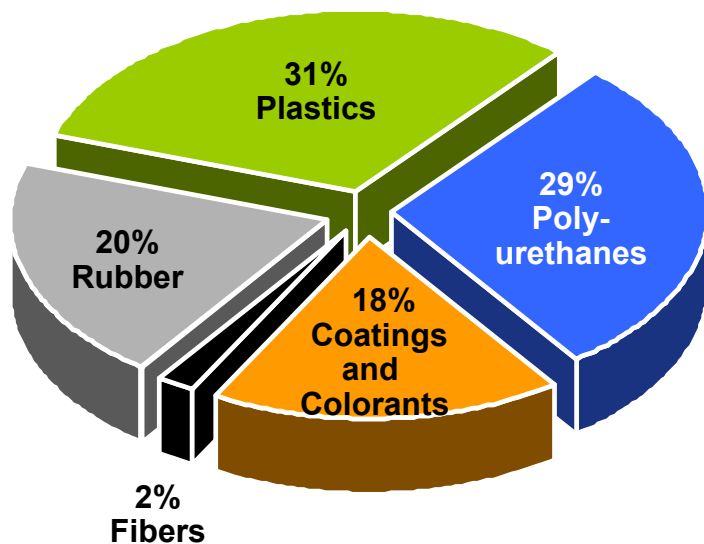


* Animal Health business included in Health Care

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

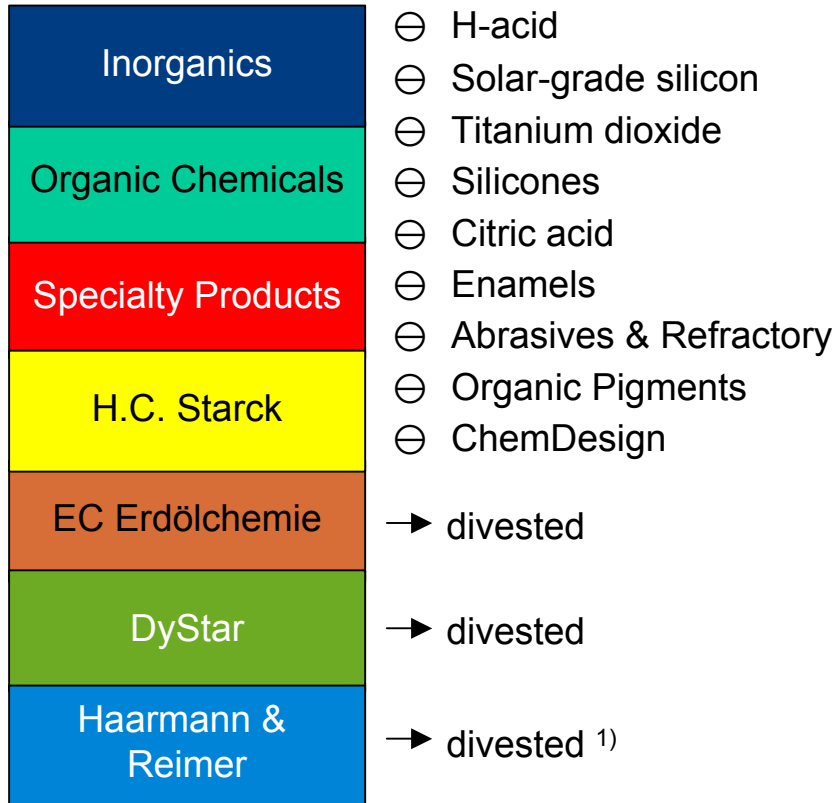


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Chemicals – Business Portfolio and Operational Performance Substantially Improved



Sales EUR 4,898 m

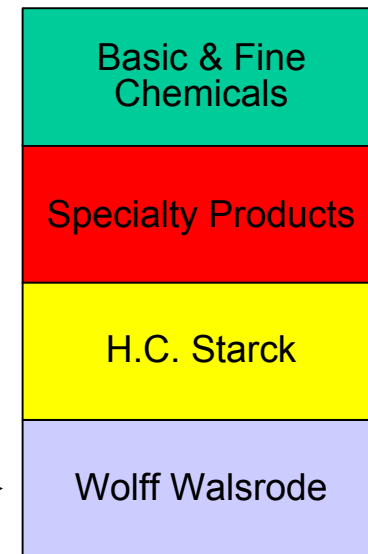


1996

Divestitures
Σ 2,800

Headcount

Sales EUR 3,748 m



2001

⊕ Cytec
⊕ Sybron

⊕ CSM

regrouped →

Acquisitions
Σ 480

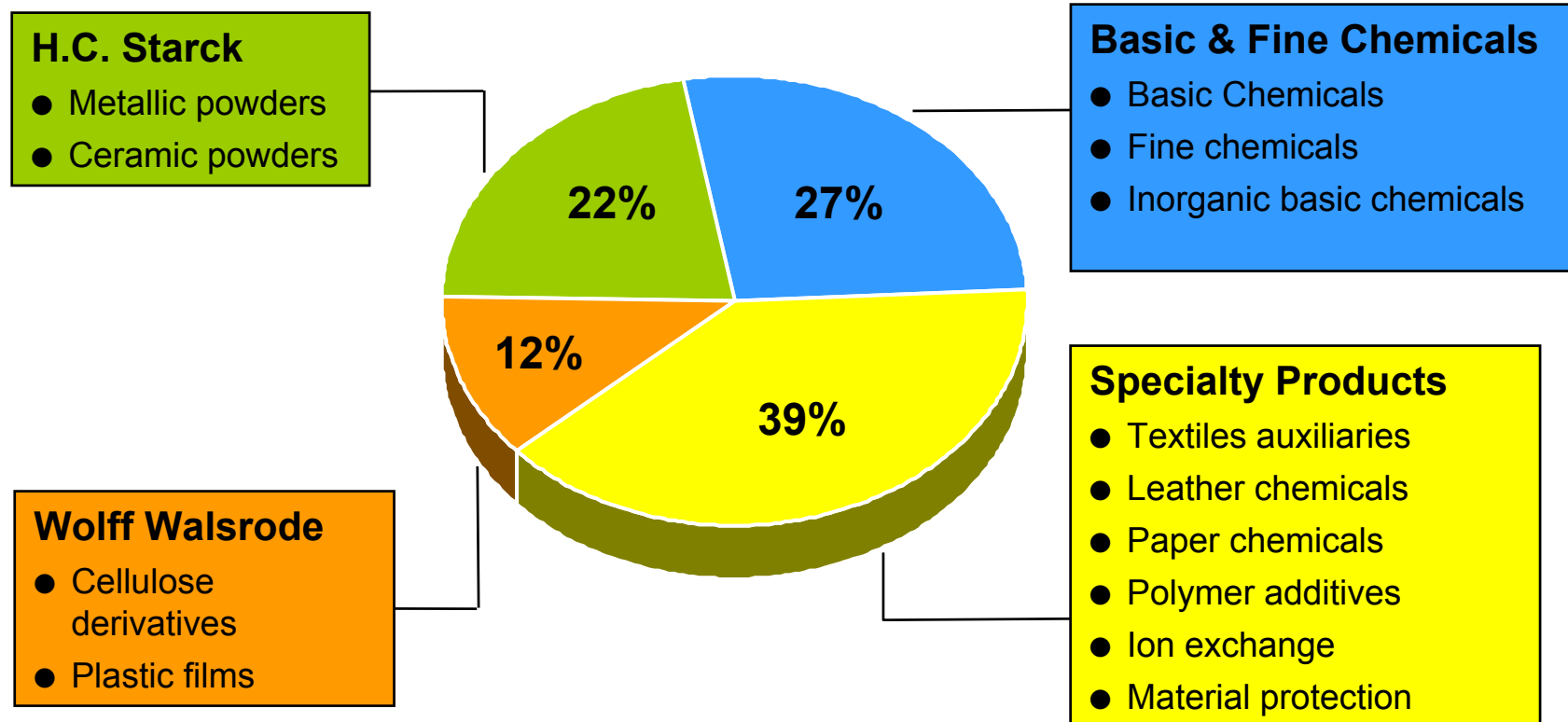
– 10,000 ²⁾

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*

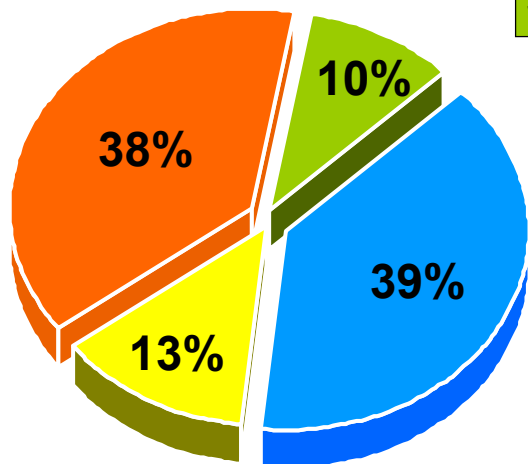
Sales (cont.) 2001: € 28,938 m

Health Care

Find strategic partner(s)

CropScience

Successfully manage ACS integration



Polymers

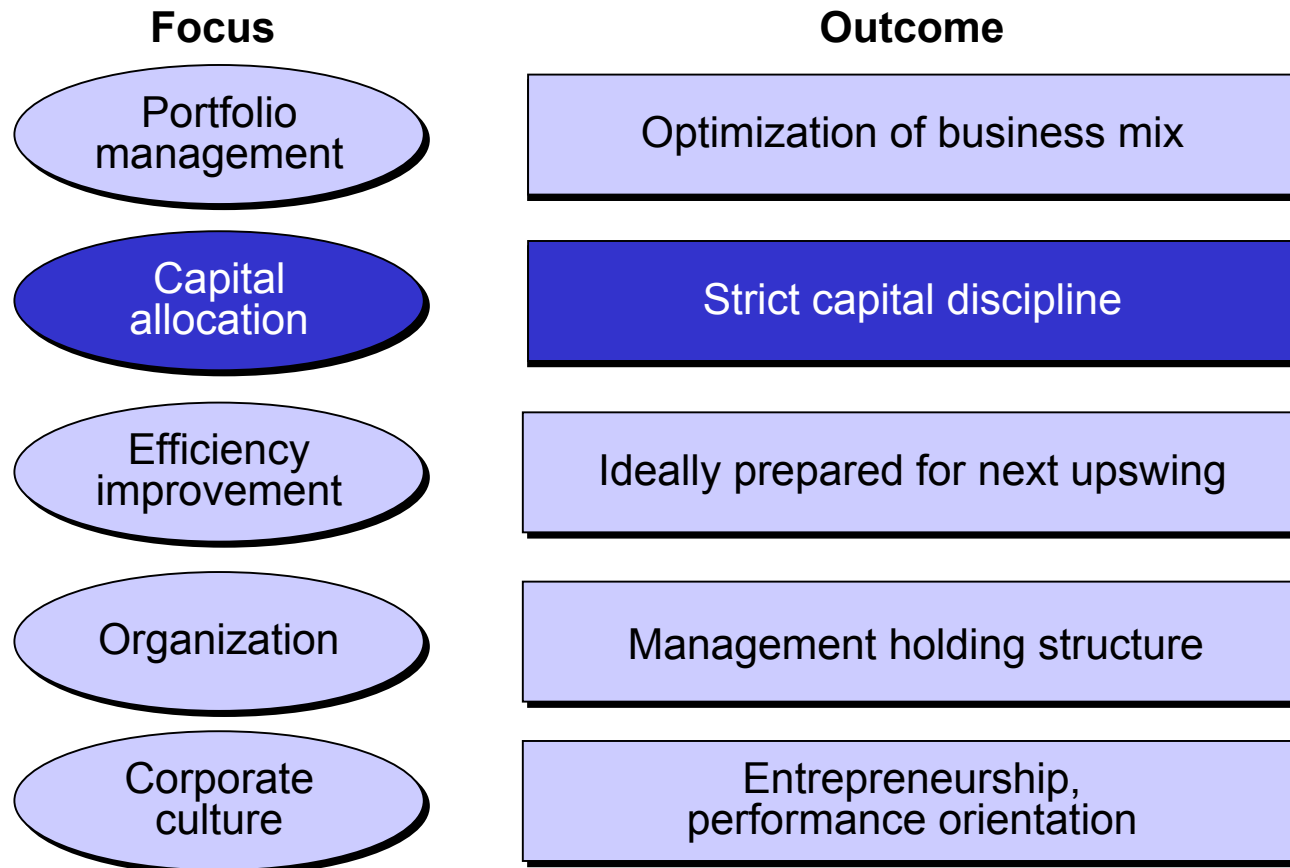
Expand global leadership

Chemicals

Participate in industry consolidation

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

A Far-Reaching Transformation...

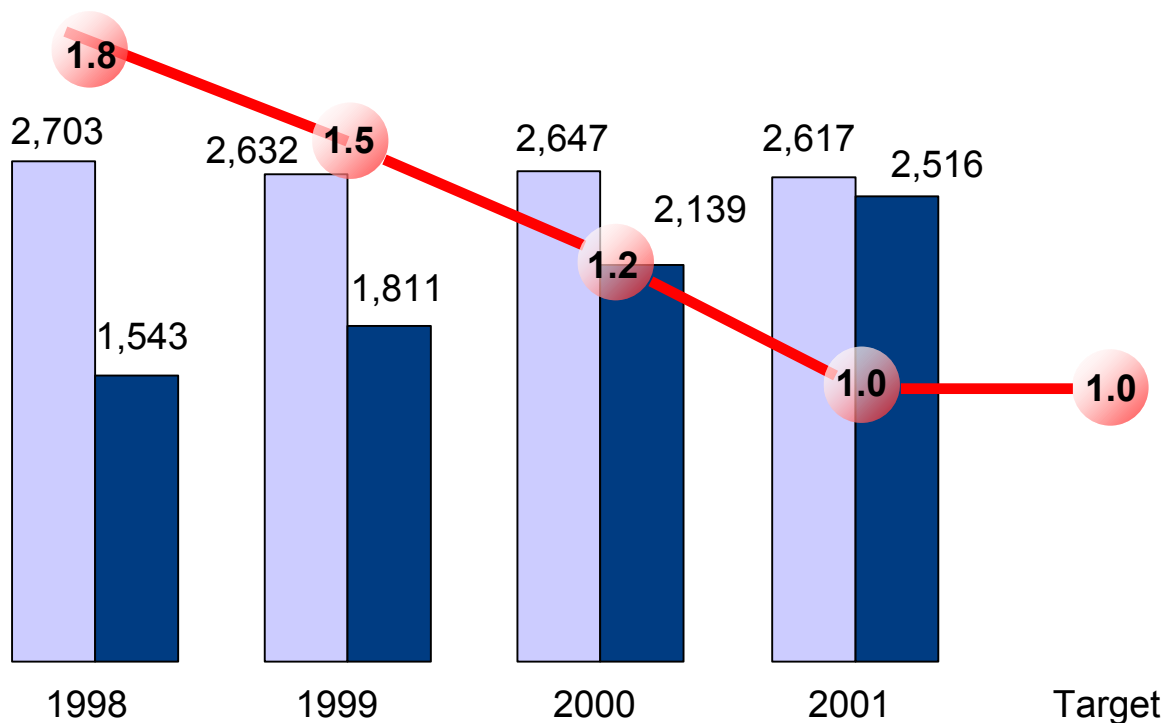


... to significantly increase corporate value

Strict Capital Spending Discipline Enforced



€ million



CapEx: Capital Expenditure



D&A: Depreciation & Amortization

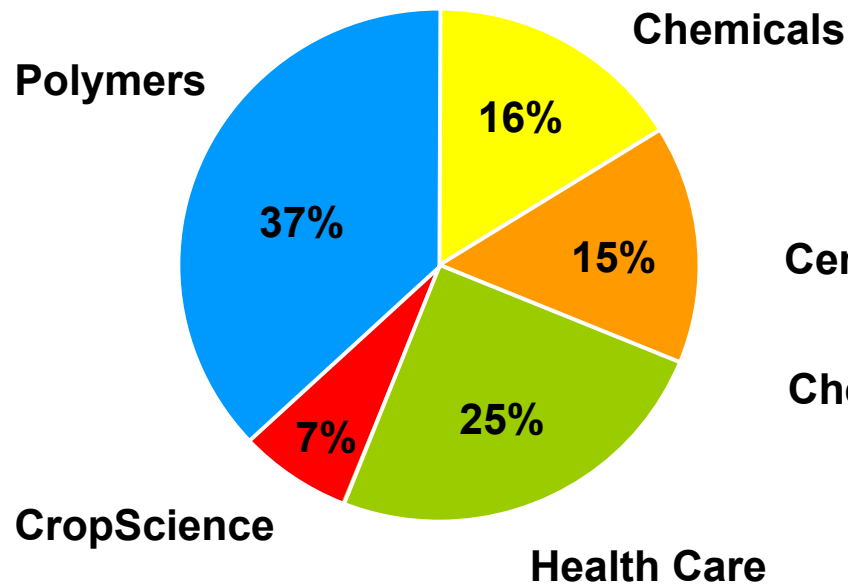


CapEx/D&A-Ratio

R & D and CapEx. Budgets for 2002

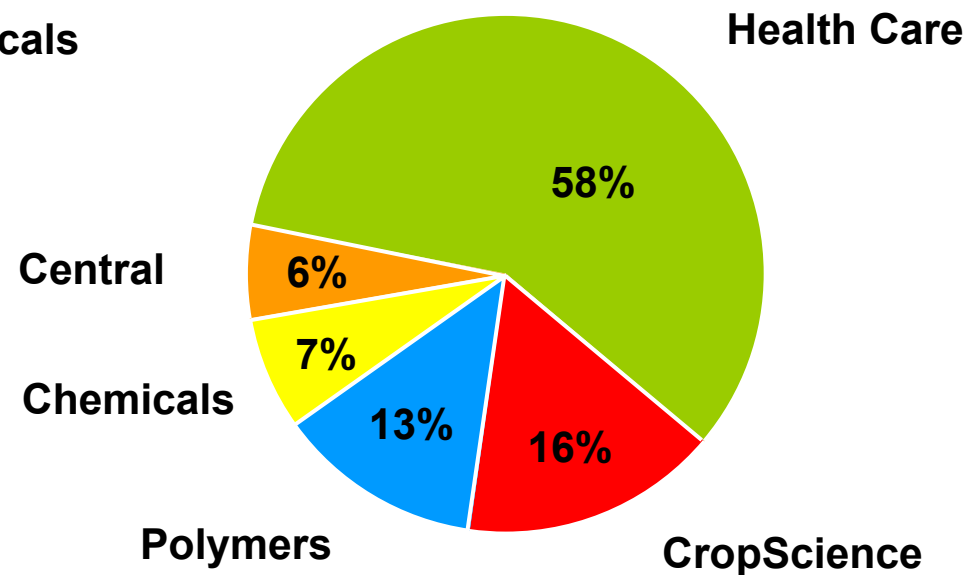
€ million

CapEx.



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

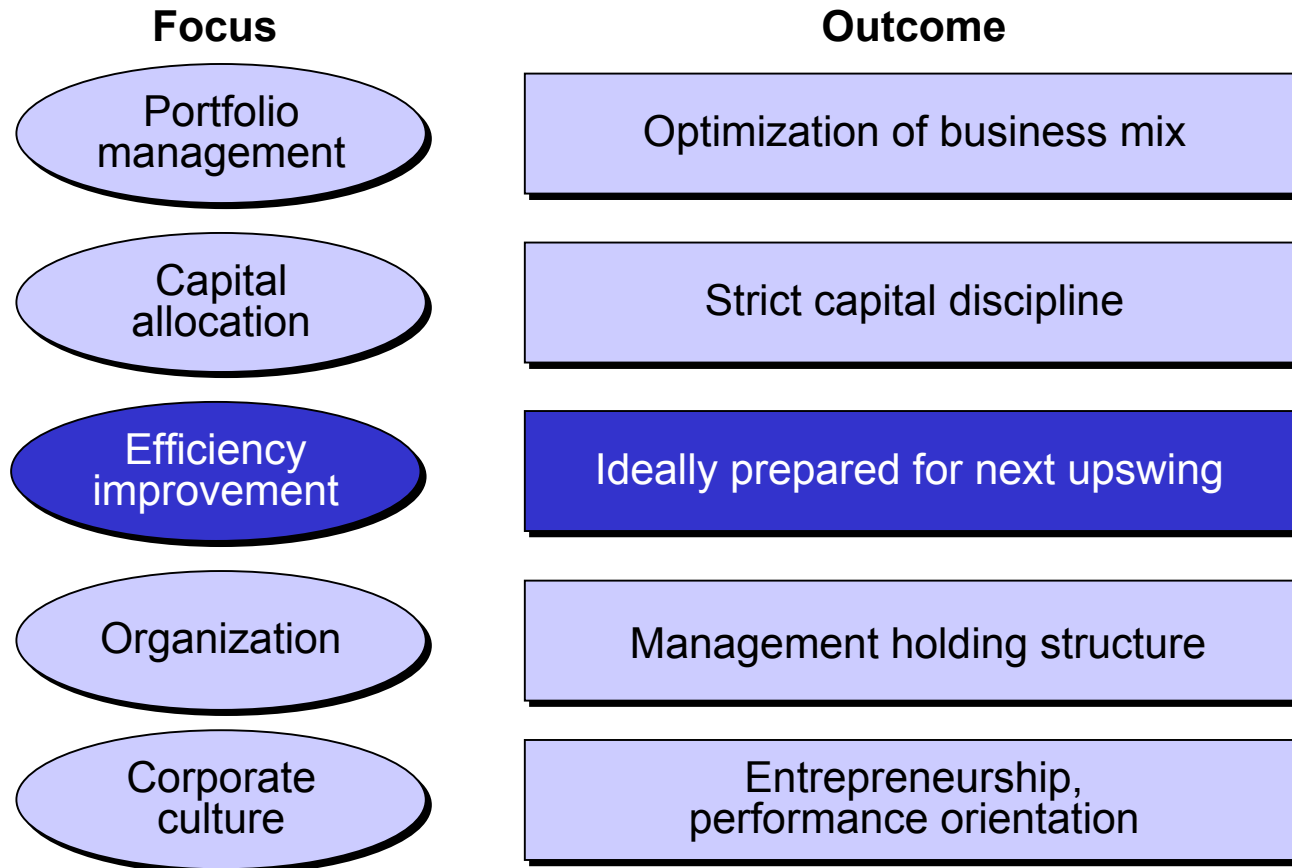
R & D



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

