

**Bayer Spring 2001 Investor Conference**

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# **UPDATE ON THE DIAGNOSTICS BUSINESS GROUP**

**Rolf Classon**

**President, Diagnostics Business Group**

**Diagnostics Business Group**

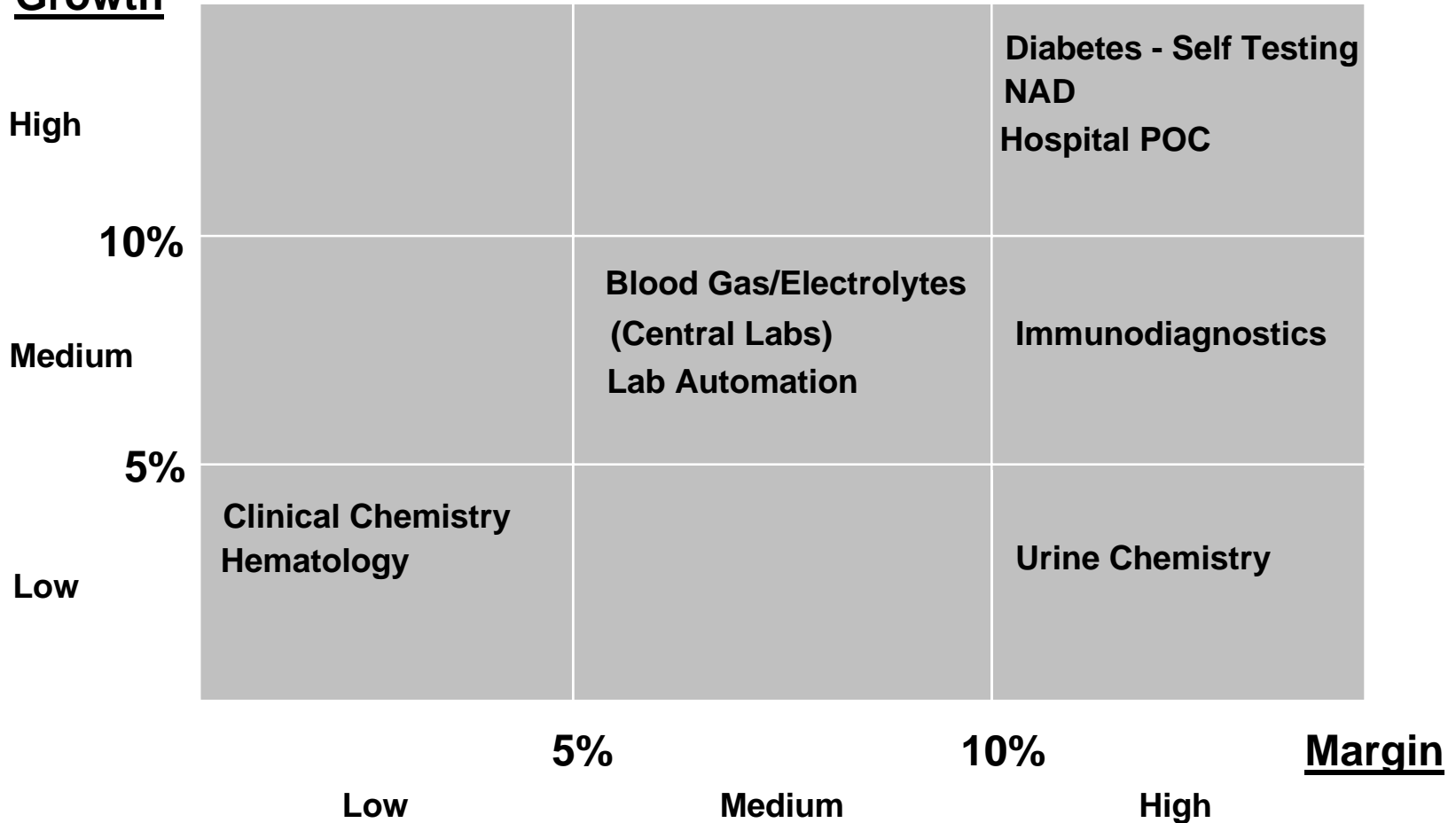


# Diagnostics Industry Overview

- Euro 19.5 Billion Market
- Overall Growth: +6% per annum
- Several High Growth Opportunities
  - Nucleic Acid Diagnostics +22%
  - Diabetes - Self Testing +13%
  - Hospital Point of Care +10%
  - Cellular Analysis +15%
  - Oncology +15%

# Diagnosics Industry Dynamics

## Growth



# Diagnosics Industry Dynamics

	<u>Laboratory Diagnostics</u>	<u>Point of Care Diagnostics</u>	<u>Self Testing</u>	<u>Total</u>
<b>2000 Market Size (Euro billion)</b>	<b>12.8</b>	<b>3.6</b>	<b>3.1</b>	<b>19.5</b>
<b>2005 Market Size (Euro billion)</b>	<b>15.4</b>	<b>5.0</b>	<b>5.8</b>	<b>26.2</b>
<b>CAGR (2000-2005)</b>	<b>+4%</b>	<b>+7%</b>	<b>+13%</b>	<b>+6%</b>
<b>Avg. Profit Margin</b>	<b>9%</b>	<b>13%</b>	<b>20%</b>	<b>11-12%</b>
<b>Trends</b>	<b>+</b>	<b>=</b>	<b>-</b>	<b>+</b>

# Improving Fundamentals

- **Pricing in Certain Segments**
- **High Growth in Higher Margin Segments**
- **Excess Capacity Reduced**
- **New Technologies Creates Opportunity for New Category of Tests**

# Diagnosics Industry Overview

## Commoditization

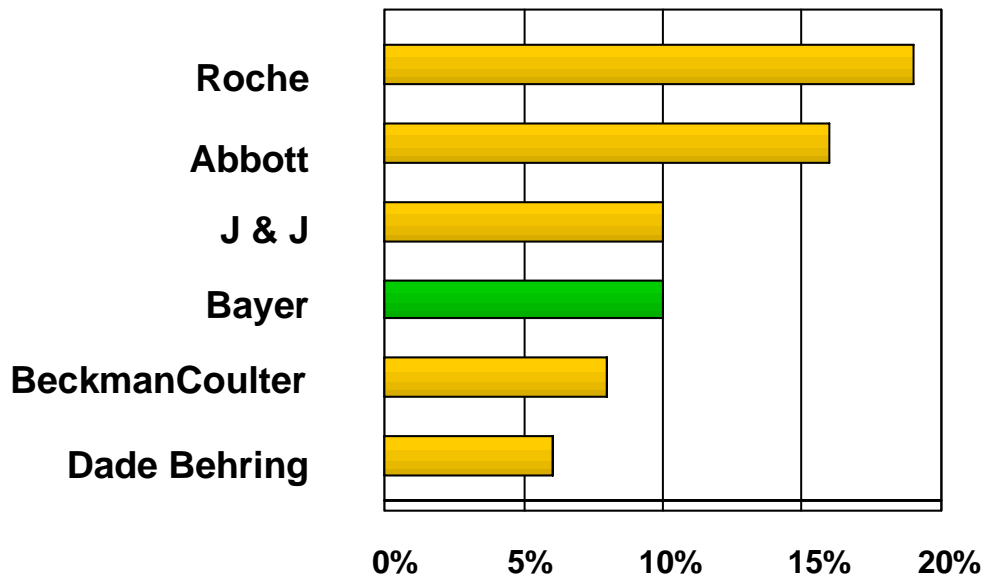
- **Broad Product Line–Horizontal Integration**
- **Outsourcing of Non Core Elements**
- **Scale Driven**
- **Focus on Supply Chain and Cost of Goods**  
**And...**

## Innovation

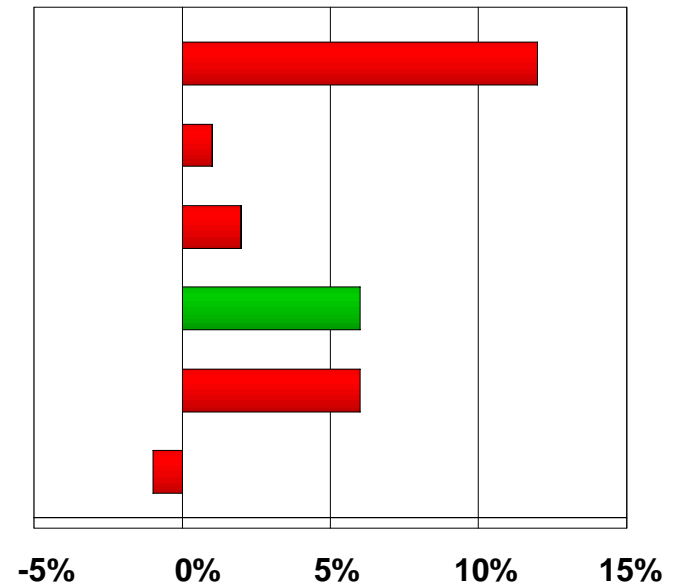
- **Genomics/Proteomics**
- **New Class of Tests**
- **Pharma/Diagnosics Synergies**
- **Painless/Non–Invasive**

# Top 6 Diagnostics Companies in 2000

Market Share

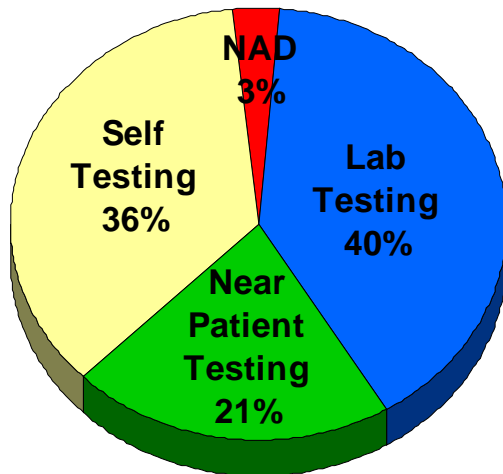


Sales Growth in Local Currency

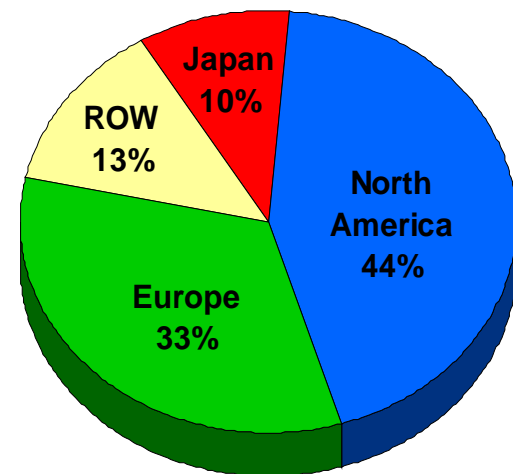


# Bayer Diagnostics 2000 Sales

By Segment



By Region

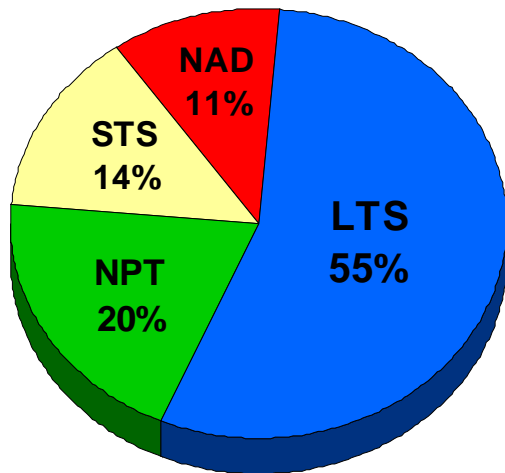


Total = Euro 1,965 Million (+17% vs. 1999)



# Evolution of R&D Expenditures: 2000-2005

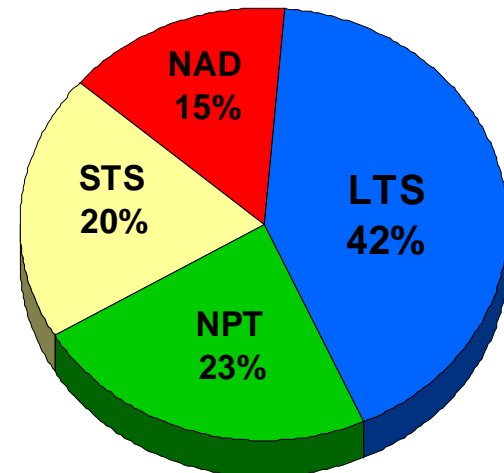
2000



Percentage of Sales

10.8%

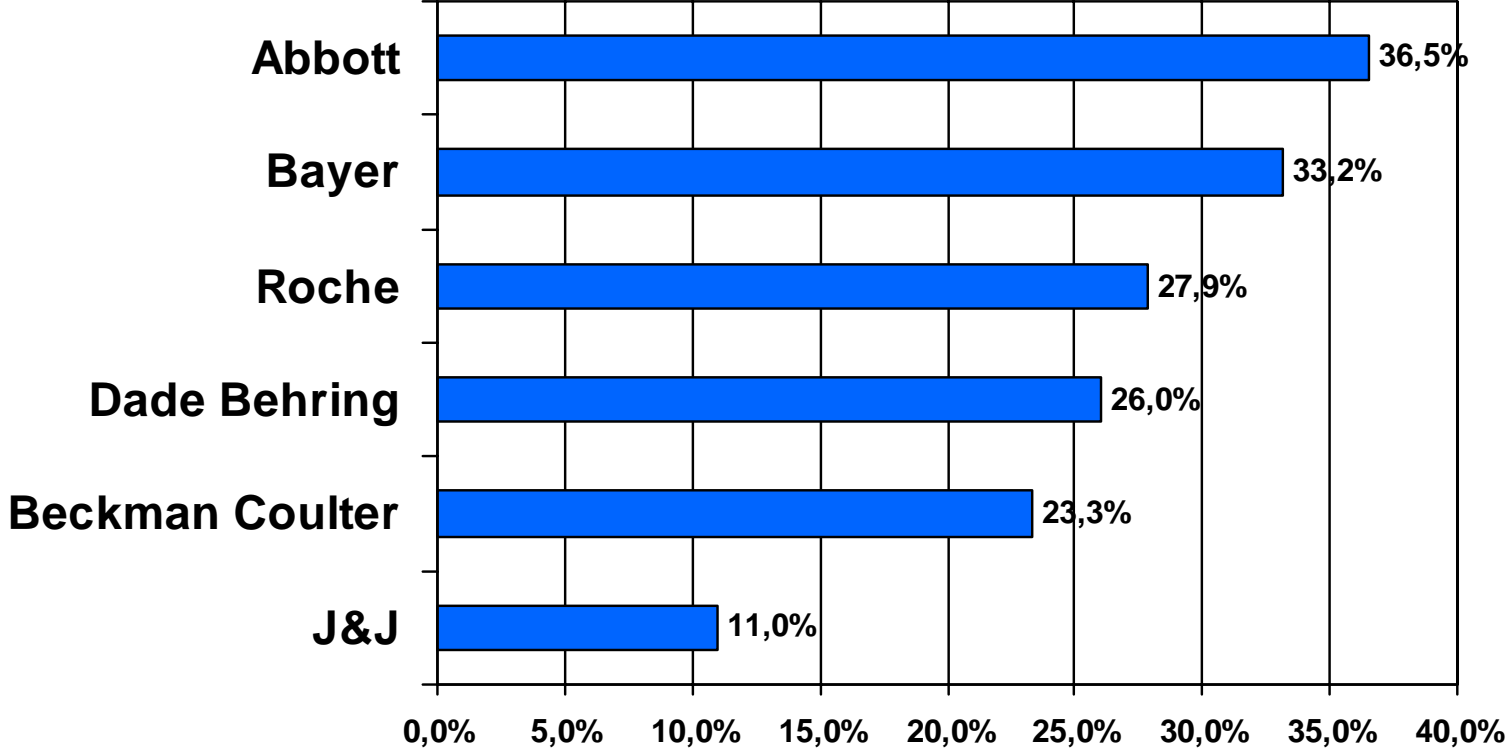
2005



Percentage of Sales

8.0%

# New Products\* as a Percentage of Sales



\*Introduced During Past 5 Years

# New Product Introductions 2001-2005

## *Peak Revenues (Euro Billion)*

Lab Testing	NAD	Near Patient Testing	Self Testing
1.2	0.2	0.5	1.1

**Total: 3.0**

# 2000 Performance Mixed

## Following Successful Completion of Chiron Diagnostics Integration

- Disappointing Growth in U.S.
- Glucometer DEX Penetration Slower Than Expected
- Unfavorable Currency Impact
- But...
- Strong Performance Outside U.S.
- Growth Momentum Increased From Q3, 2000
- ADVIA Centaur Exceeding Expectations

# **Project CURE**

**To Improve Performance by Approximately Euro 200 Million by 2002**

- Additional Savings**
- Vendor Transfers/Renegotiations**
- Cost of Goods Improvements**
- Leveraging European Convergence**

# In Summary

## Laboratory Testing

- **Strong Position With Chiron Immunoassays and in Hematology**
- **Pipeline**
- **Faster Than Market Growth**
- **Margin Improvements**

## Near Patient Testing

- **Market Leader in Critical Care and in Urine Chemistry**
- **Strong Pipeline for Hospital POC**
- **High Margins**
- **Moving Into Higher Growth Areas**

# In Summary (con't)

## Self Testing

- Dual Platforms
- Strong Partnership With Matsushita
- Pipeline
- Well Positioned for Margin Improvements

## NAD

- Access to Three Main Amplification Technologies
- Expanding Product Line in Virology Through Acquisition
- Pipeline
- High Growth
- New Paradigm for Diagnostics Value