

Building “Bayer HealthCare”

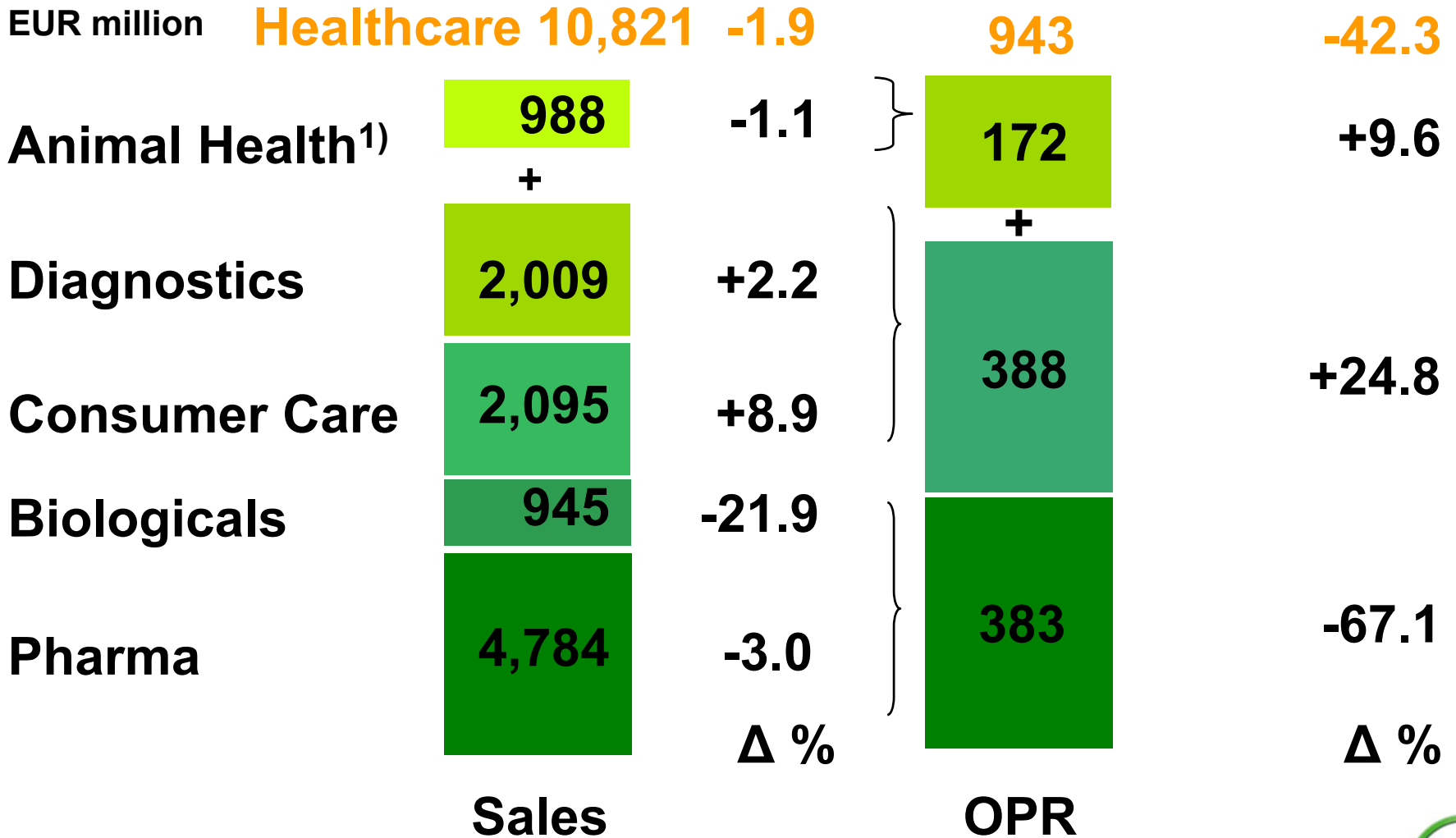
2001 & beyond

Investors Conference, Leverkusen March 15, 2002

Dr. Frank Morich



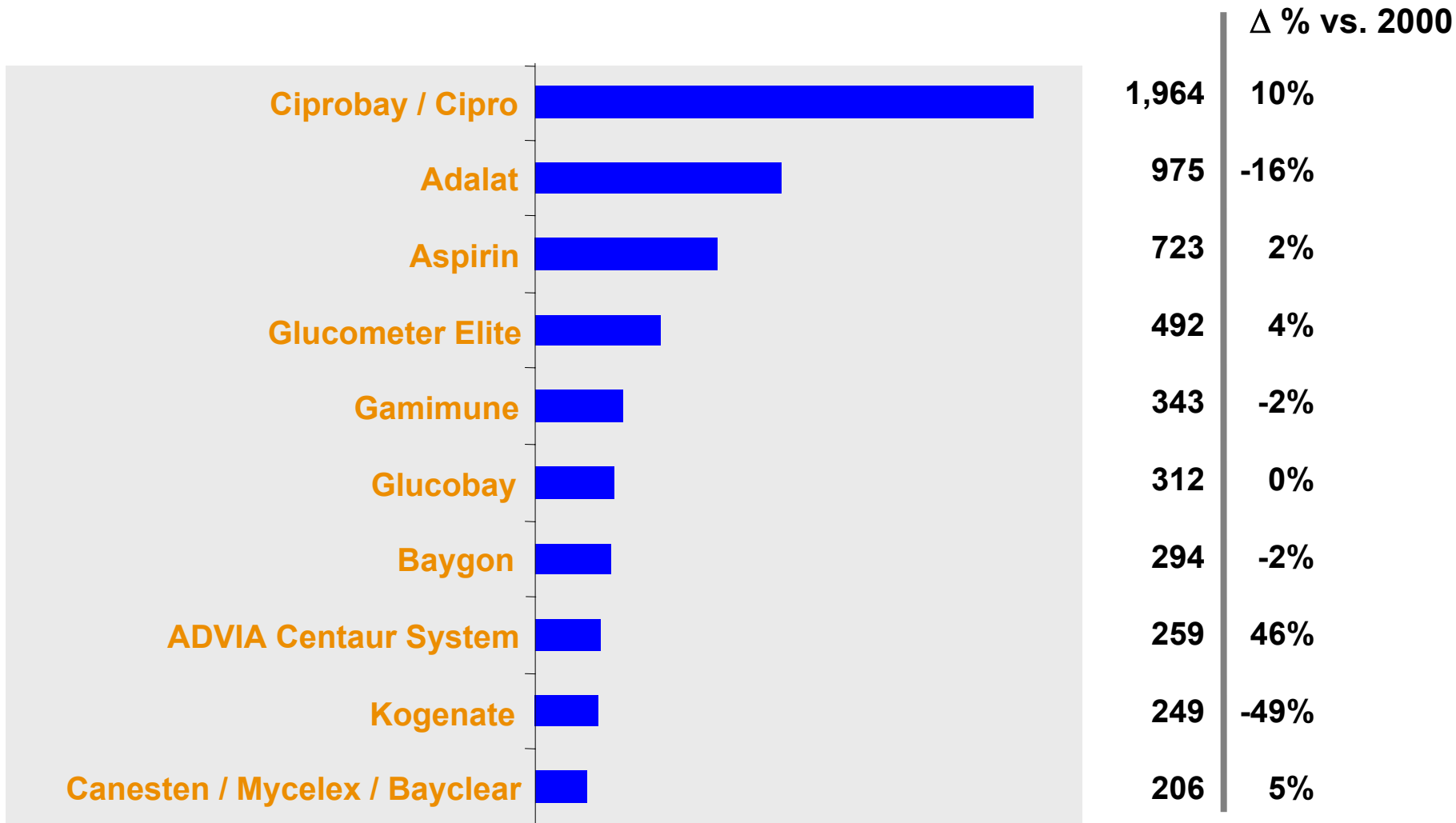
The "New" Health Care – 2001 Operating Performance



1) including Hygiene (2001 = EUR 129 million)



Top 10 Healthcare Products – Sales 2001



Animal Health Division: Highlights 2001

- **Solid market position**
 - **No. 4 in the world**
 - **6.2 % market share**
- **Divestiture of US Biologicals business completed**



- **Discussions regarding use of fluoroquinolones in poultry ongoing**
 - **Continuous monitoring of resistance situation by Bayer**
 - **All Bayer data shared with authorities**
 - **Data indicate no problems associated with appropriate use**



Biologicals Division: Situation 2001

- **Disappointing 2001 performance mainly caused by technical problems**
 - **Issues addressed swiftly & diligently**
 - **Turnaround achieved, current situation stable**
- **KG FS[®] releases Q4 2001 high, plan is to almost double releases in 2002 vs. 2001**
- **2002 transition year – significant profit swing of EUR 300 million**



Biologicals Division: Regaining Trust in 2002

- **Increase output to capacity following technical improvements**
- **Maintain optimal compliance status**
- **Improve relationship with our patients**
- **Finalize Joint Venture with Aventis Behring to become market leader**



Consumer Care Division – Highlights 2001

CC continue to outperform the market

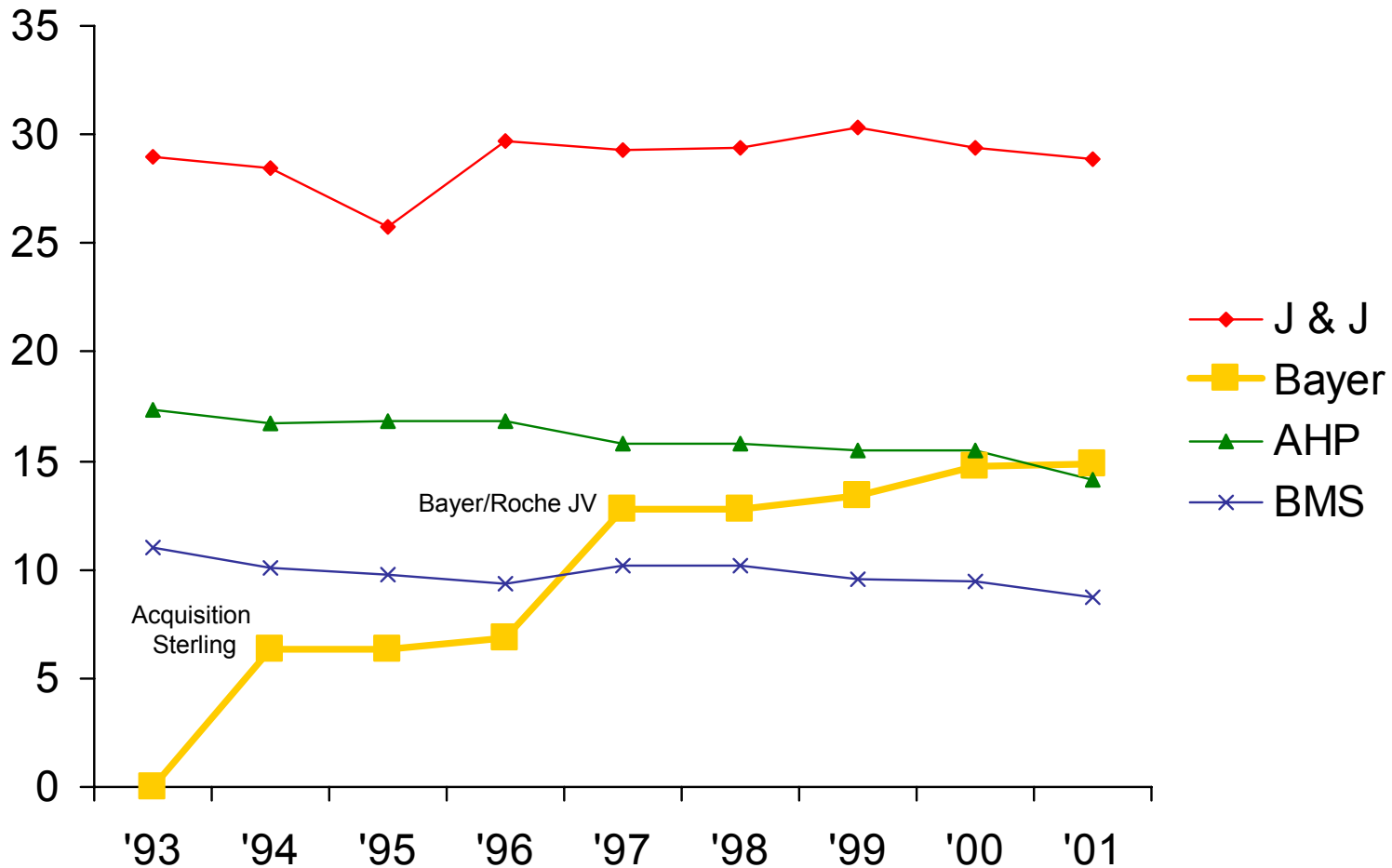
	1995	1997	1999	2001	% CAGR
Sales (EUR million)	1,377	1,580	1,682	2,096	7.3
thereof OTC:	885	1,169	1,335	1,677	11.2

- Growth and profit drivers were:
 - Solid & creative marketing
 - Successful acquisitions & alliances, e.g. Sterling, Roche Joint Venture



Consumer Care Division: US-Market Performance

Bayer is the fastest growing analgesics company in the USA and is now number 2 player in the category



Diagnostics Division: Highlights 2001

- **Fast integration of Chiron Diagnostics**
 - **All synergies realised as planned;**
EUR 126 million in 2001 alone
- **Profit turnaround in 2001;**
expected ROS 2002: 10 %
- **DS will deliver sustained benchmark profitability**
(> 15 % ROS)
- **Advia Centaur[®] (Immunodiagnostic) grew**
from EUR 75 million in 1999 to EUR 259 million in 2001



Pharmaceuticals Division: Product Highlights 2001

Cipro[®]

- **No. 2 antibiotic worldwide; record sales in 2001**
- **Gold standard in the treatment of many bacterial infections**
- **Submission of OD formulation in the US on March 4, 2002**
- **I.V. Formulation is patented in the US until 2007**



Pharmaceuticals Division: Product Highlights 2001

Avelox[®]

- **Highly potent broad spectrum antibiotic for RTI**
- **Launch in 40 countries within 1 year**
- **I.V. formulation launched in the US, approved in 13 countries**
- **Q 4 Scripts in the US up 56 % vs. 2000**



Pharmaceuticals Division: Product Highlights 2001

Vardenafil

- **US submission September 2001, launch expected Q3 2002**
- **Co-promotion/Co-marketing agreement with GSK ensures competitive resources**
- **Bayer's OTC division proven DTC-capabilities will significantly enhance our launch platform**



2001: Situation & Summary

- **Animal Health & Consumer Care are competitive, well-positioned, show above market growth and benchmark level profitability**
- **Diagnostics is competitive in terms of size & technologies; sustainable benchmark profitability achievable from 2003 as consequence of Chiron integration & major restructuring**



2001: Situation & Summary

- **Biologicals had a disappointing 2001 due to technical difficulties; underlying issues have been addressed and division is now back on track**
 - **Strategic problems (size, regional presence, plasma supply) will be resolved through the Joint Venture with Aventis Behring**

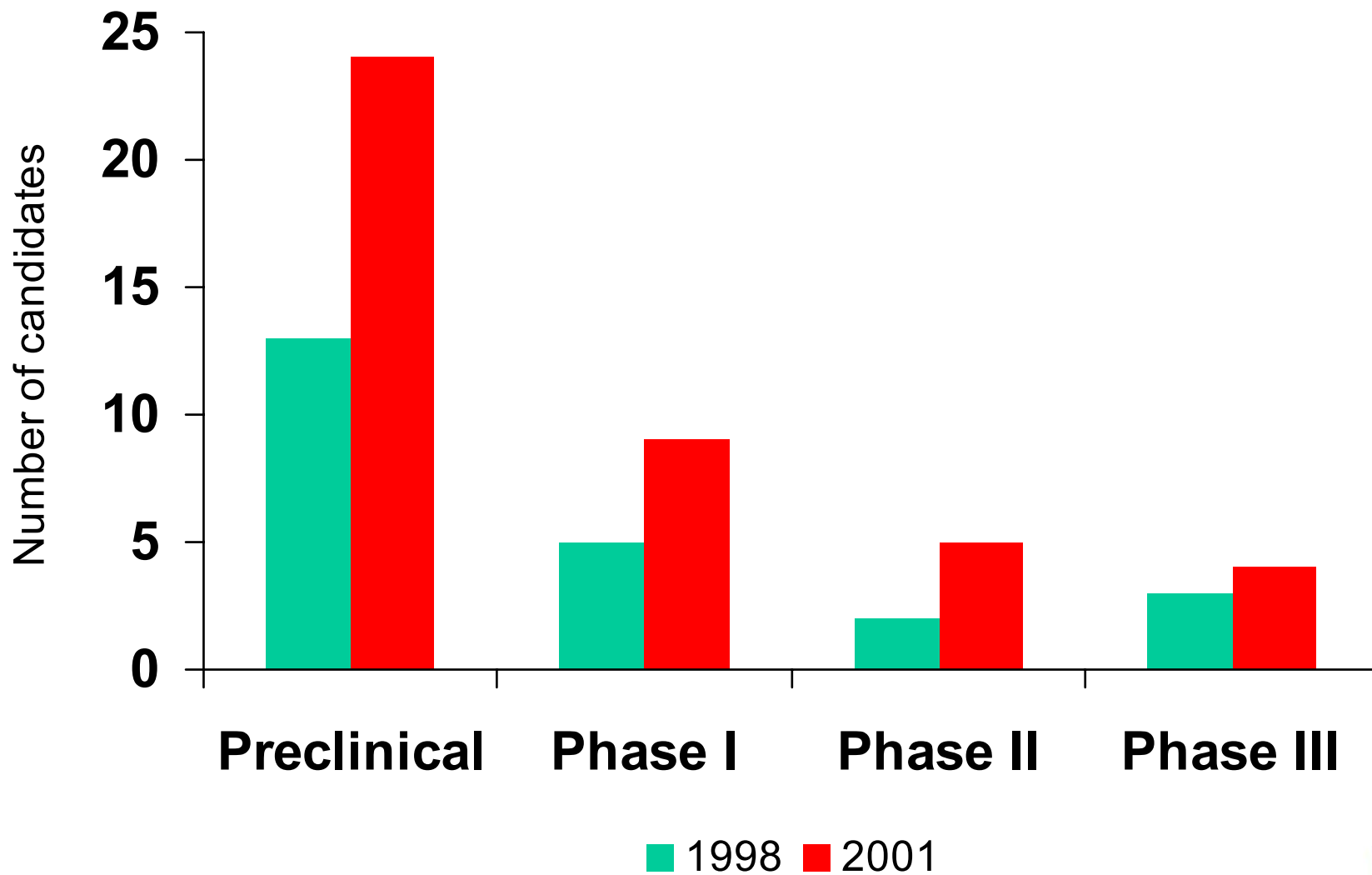


2001: Situation & Summary

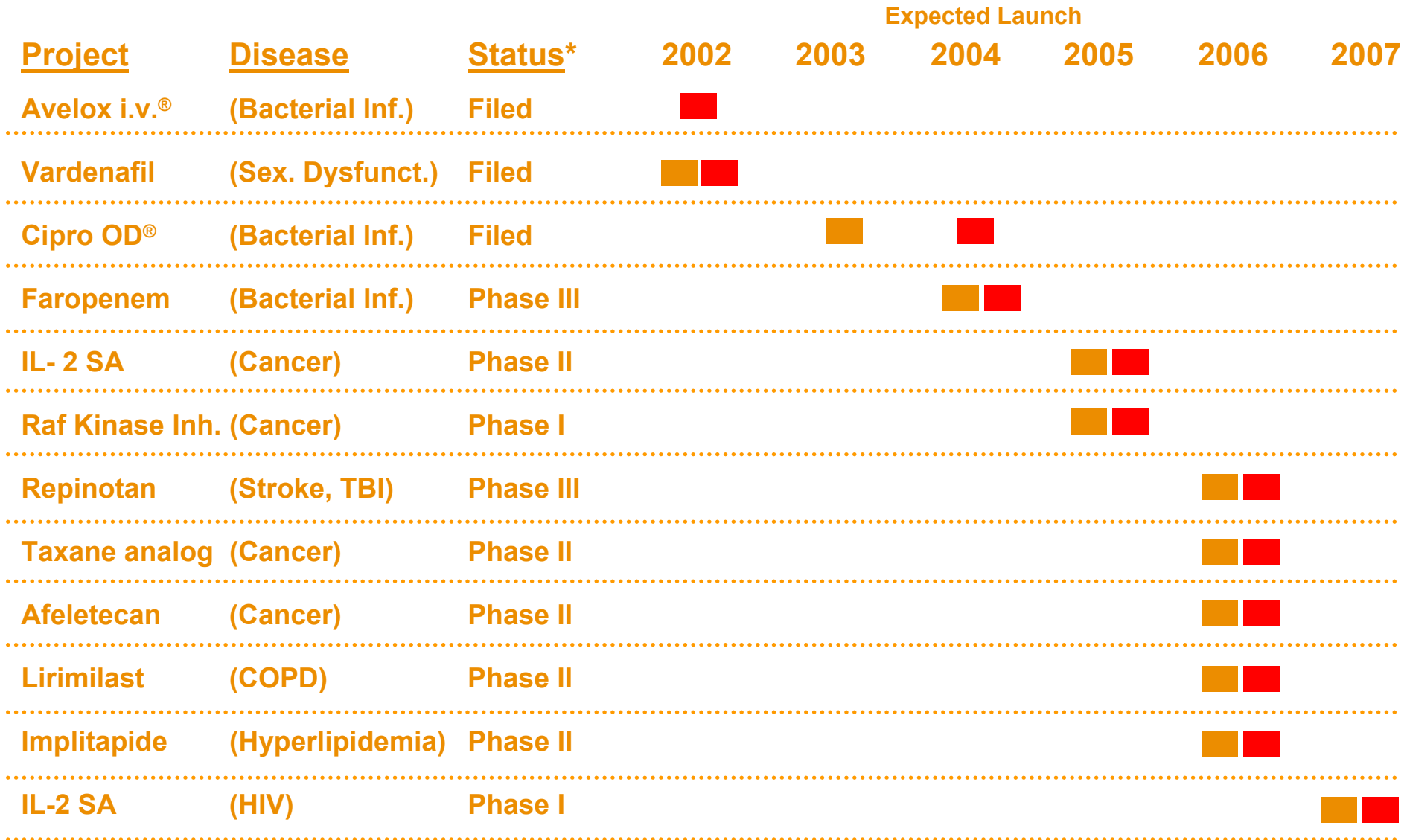
- **Pharmaceutical Division will adjust its cost base and focus on pipeline optimization**
 - **The value of our existing portfolio and forthcoming launches will be optimized**
 - **The undisputed quality of our early pipeline will be further increased**
 - **Development of our cancer portfolio will be accelerated**



Strong No. of Development Candidates Ensures Future Growth



2002-2007 Pharma Pipeline: Important Development Projects



* US and EU

■ EU ■ US

Oncology Development Projects

Expected Launch

<u>Project</u>	<u>Status*</u>	2003	2004	2005	2006	2007	2008
Raf Kinase Inhibitor	Phase I			■			
IL-2 SA	Phase II						
Taxane analog i.v.	Phase II				■		
Taxane analog oral	Phase I					■	
Afeletecan	Phase II				■		
Rho Kinase Inhibitor	Preclinic						■
KDR Rec. Tyrosine Kin. Inhib.	Preclinic						

* US and EU

■ Approval based on controlled Phase III studies



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IL-2 SA	Phase II			■			
Taxane analog i.v.	Phase II		■		■		
Taxane analog oral	Phase I				■**	■	
Afeletecan	Phase II		■		■		
Rho Kinase Inhibitor	Preclinic				■		■
KDR Rec. Tyrosine Kin. Inhib.	Preclinic					■	

■ Fast to market, approval based on uncontrolled Phase II studies

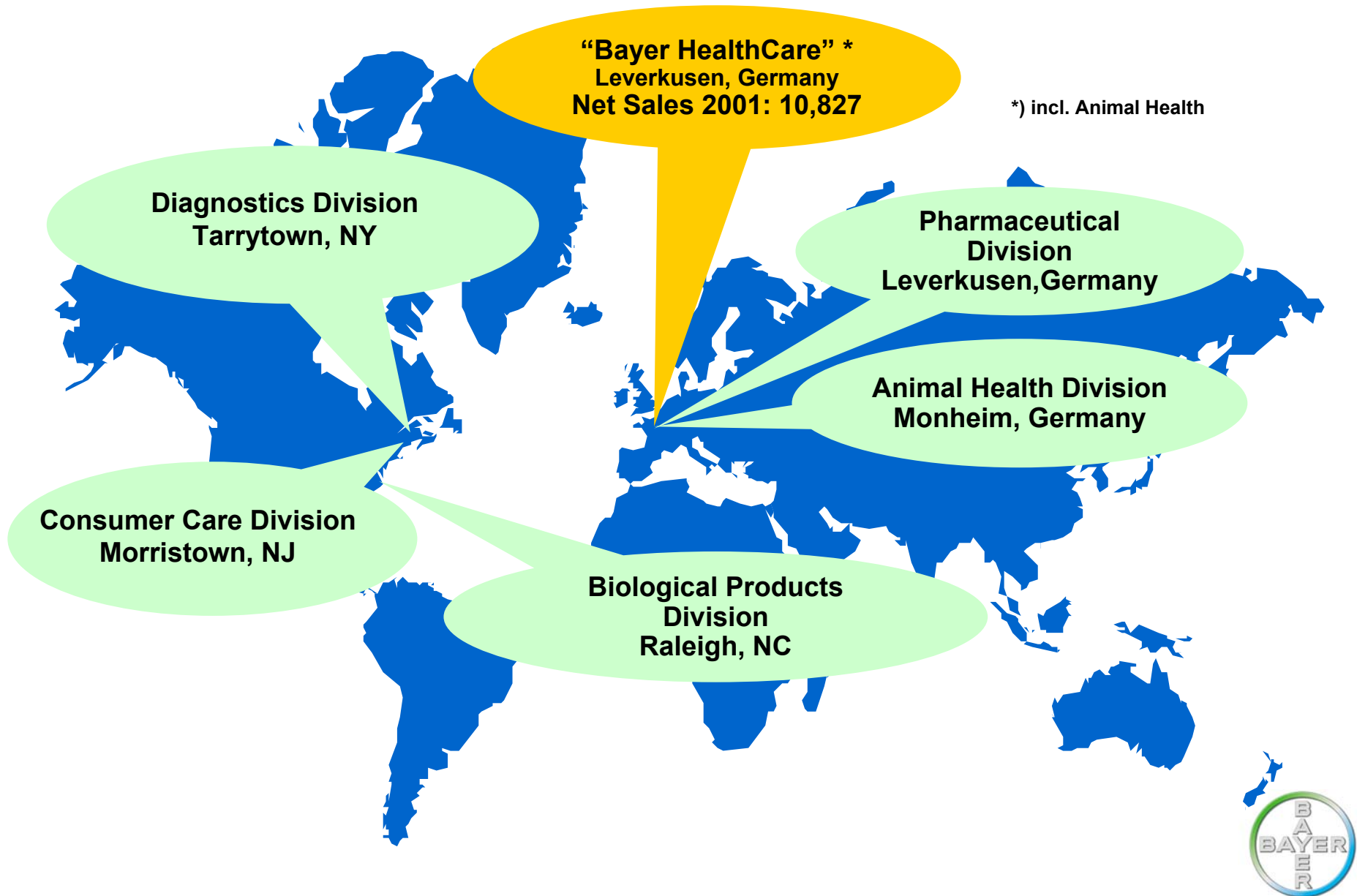
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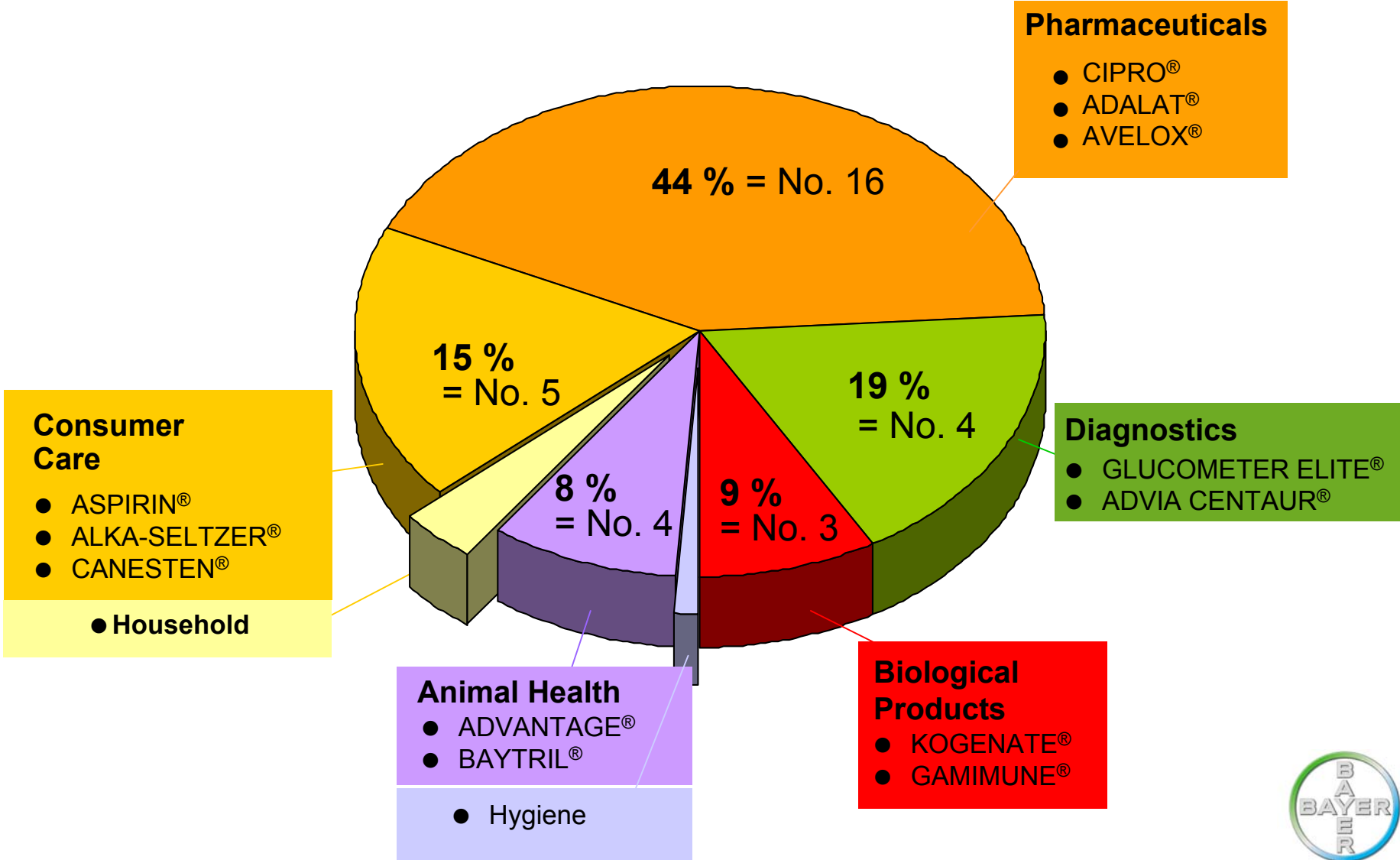
** PK bridging study



“Bayer HealthCare” – Regional Presence



Strong Presence with Strong Brands in Main Areas of Business



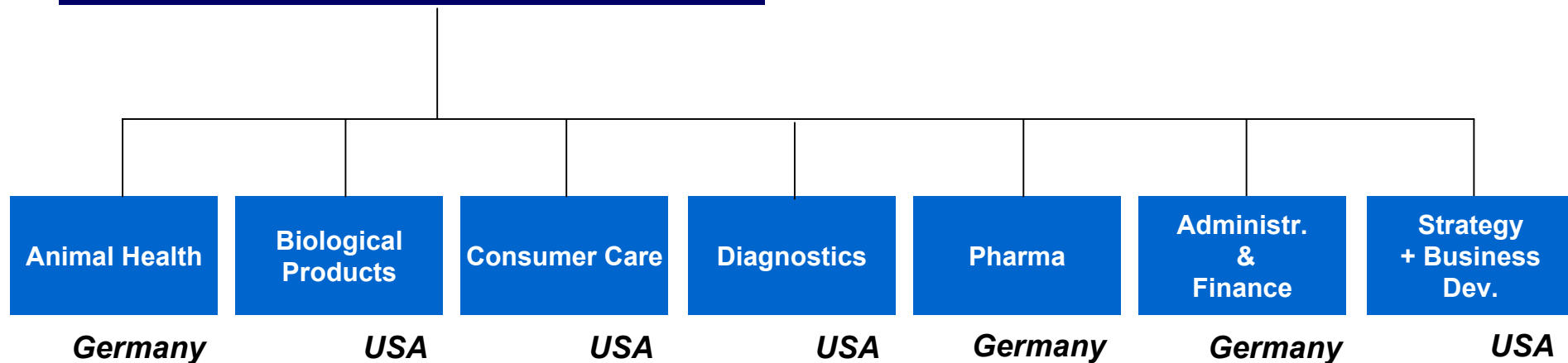
“Bayer HealthCare” AG

Board of Management

Chairman Dr. Frank Morich
Head of Animal Health
Head of Pharma
Head of Administration + Finance

Global Executive Committee

Head of Biological Products
Head of Diagnostics
Head of Consumer Care
Head of Strategy + Business Dev.



Why Create BHC Now?

- Maximize synergies within healthcare
 - costs (e.g. infrastructure)
 - technologies (e.g. pharmacogenomics)
 - skills (e.g. Direct To Consumer)
- Enhance visibility and create a BHC identity
- Realize more licensing and cooperation agreements
- Increase performance through more transparency



2001: Situation & Summary

Portfolio Management: Recent Transactions

- Co-Promotion with GlaxoSmithKline on Vardenafil
 - competitive resources
- Planned Divestiture of the Household Insecticide Bus.
 - clear focus on healthcare
- JV with Aventis Behring in the Plasma Field
 - create an industry leader with economic advantages that is also in the best interest of our patients

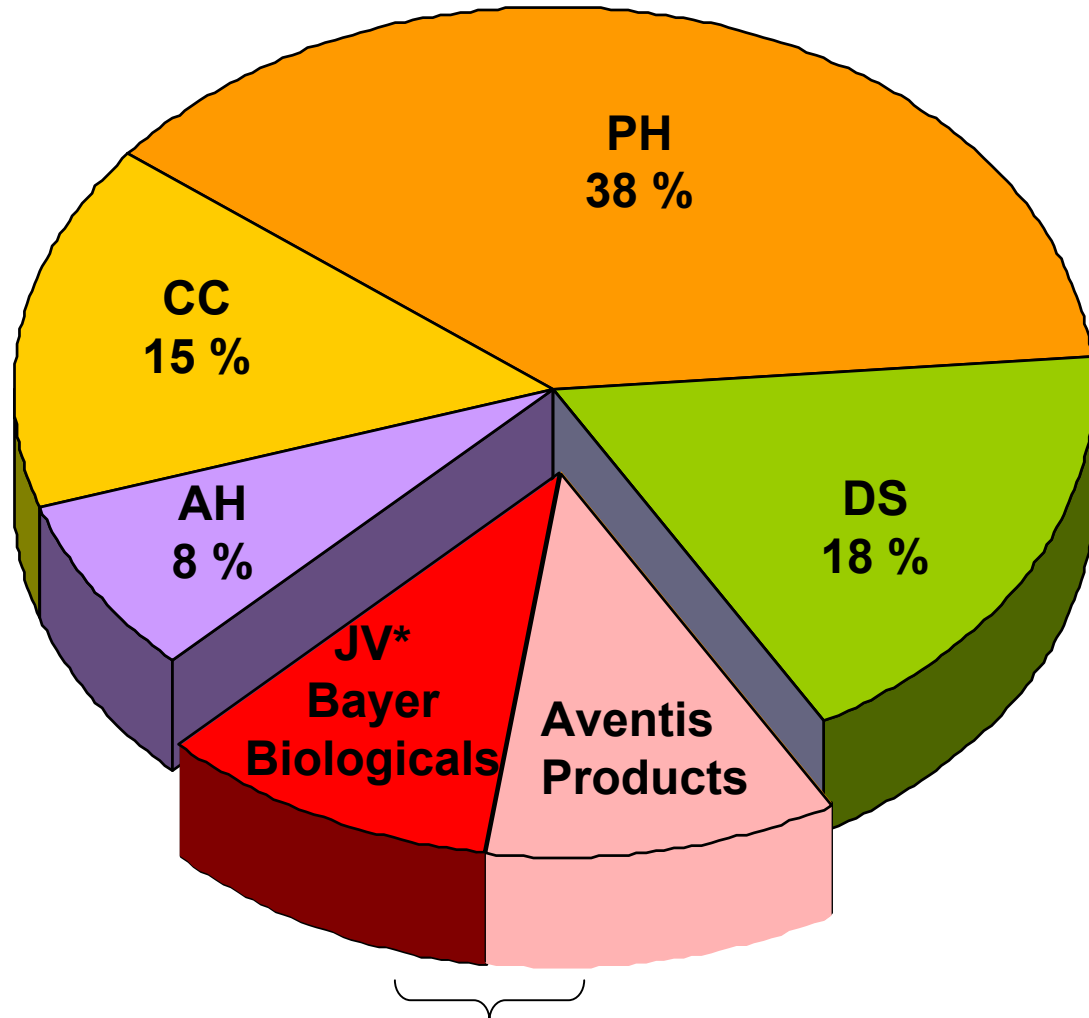


“Bayer HealthCare” Business: Outlook

Transactions affecting sales:

- ✧ Divestment of Household Insecticides Business CC
- ✧ Cleaned portfolio AH
- ✧ Joint Venture Bayer Aventis Biological Products*

Sales: ≈ EUR 11.3 billion



No. 1 in market

* Non-binding letter of intent, subject to relevant approvals

