



## Spring Investor Conference 2003

Rolf Classon, Bayer HealthCare



### 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.

## Bayer HealthCare 2002

### Disappointing, but also a Year of Transition and New Beginning

- **Operational Performance Erosion**
  - Baycol Withdrawal
  - Latin America Crisis/Global Economic Downturn
  - Anthrax Generated Cipro Wholesaler Inventory
  
- **Structural and Process Changes**
  - BHC Established
  - Pharma Downsizing
  - Biologicals Compliance
  
- **Building for the future**
  - New Product Growth
  - First Portfolio Adjustments
  - Cost Base Reduced

## 2002 - A Foundation for the New Bayer HealthCare

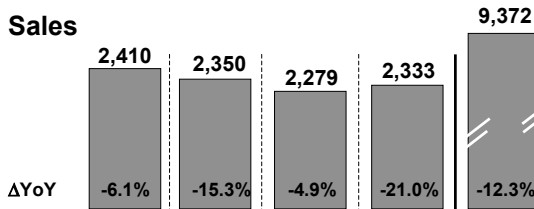


- **Sale of Household Product Business**
  - Focus on OTC Core Brands
  
- **Acquisition of Visible Genetics Inc.**
  - Strengthening Nucleic Acid Diagnostics breadth and growth
  
- **Inlicensing of Kinzal<sup>mono/komb</sup>**
  - Complementing Pharma Cardiovascular franchise
  
- **Stronger Research Focus on Key Therapeutic Areas**
  - Anti-infectives, Cardiovascular, Oncology

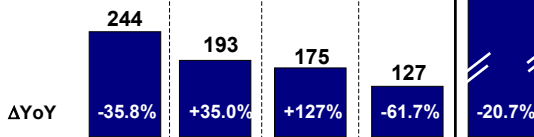
## Bayer HealthCare 2002 Quarterly Performance

€ million

### Sales



### OPI (pre-except.)



Except. -14    55    -48    -150    -157

EBITDA (post except.) 393    330    306    -56    973  
 Q1    Q2    Q3    Q4    FY

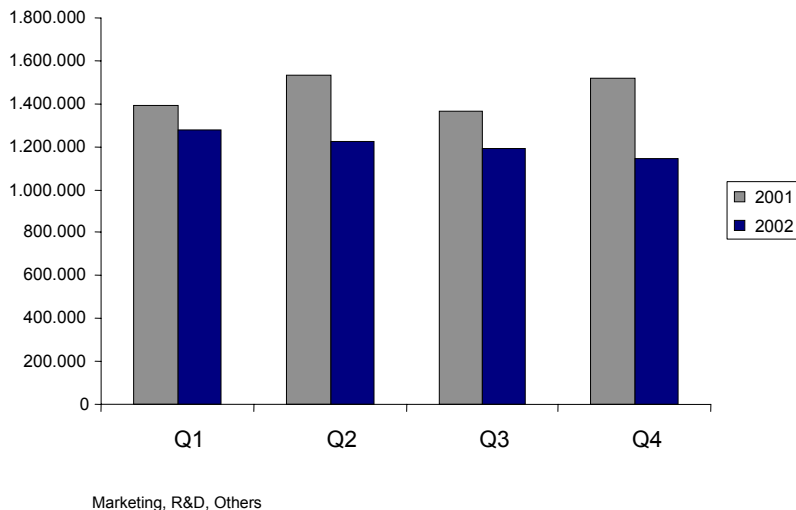
### Key drivers

- Quarterly sales vs. prior year driven by Baycol withdrawal Cipro sales pattern, especially in Q4
- Quarterly Earnings performance: BP/DS turnaround Cost management
- Q4 driven by adverse product mix and write offs/one time cost
- Overall, 2002 sales decline significantly offset by turnarounds and the reduction of our break even point

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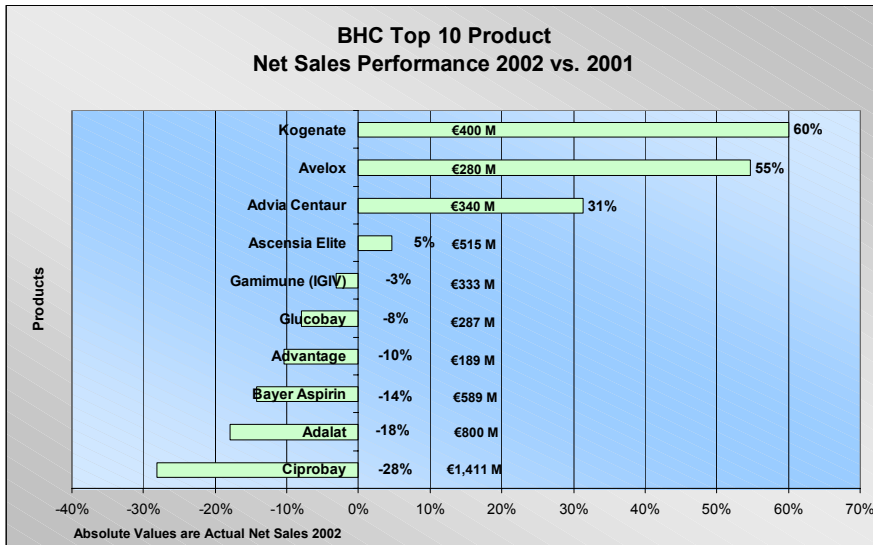
## Adjusted Cost Structure supports lower break even point in 2003



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## Bayer HealthCare Top 10 Products



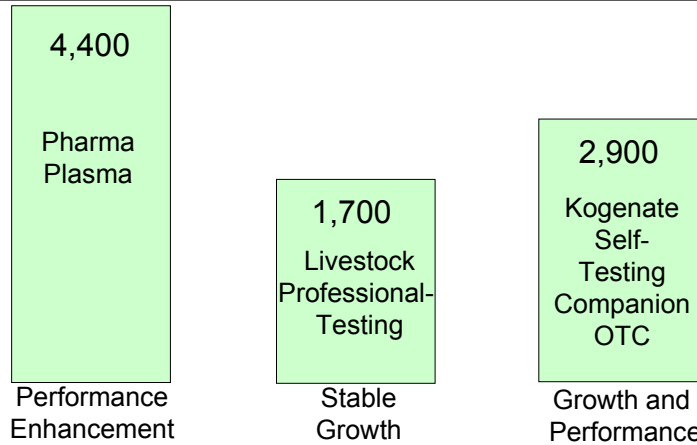
## The New Bayer HealthCare



- Bayer HealthCare focus on driving active portfolio management and improvement of operational performance
- 8 strategic business entities currently organized in 5 autonomous divisions
- Streamlined BHC service and administration platform facilitates portfolio changes

## Bayer HealthCare Portfolio

Growth*	4-6%	7-9%	8-10%
EBITDA	-	+	++
* Average Growth p/a € Mill.			



These targets are based on current assumptions. Due to various known and unknown risks and uncertainties, actual future results might differ substantially from these targets. The company assumes no liability whatsoever to update these forward looking statements. We also refer to the general disclaimer at the beginning of the presentation.

All numbers € MIO Sales in 2002  
Excluding HH

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## Our Mid-Term Targets

**17 % CFROI**

**20 % EBITDA**

### Key Drivers are:

- Operational performance improvements
- Growth of existing businesses
- New products
- Portfolio enhancement

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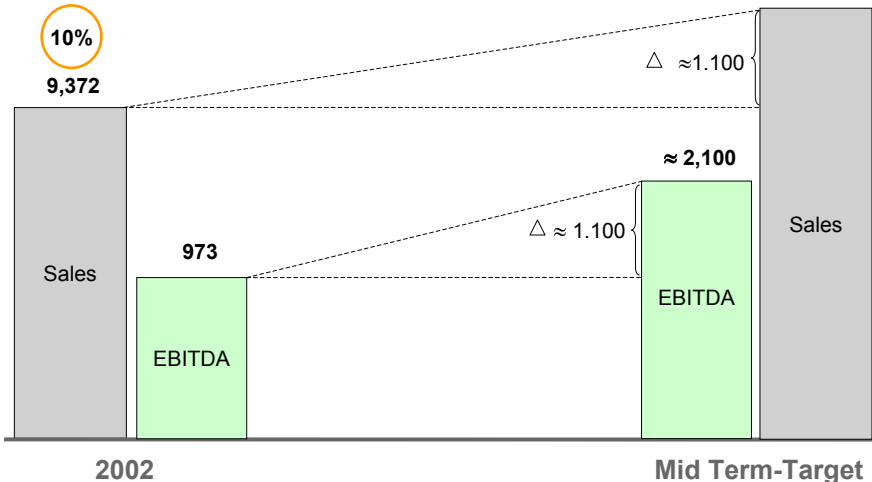
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## Bayer HealthCare Mid Term targets

€ Mill.

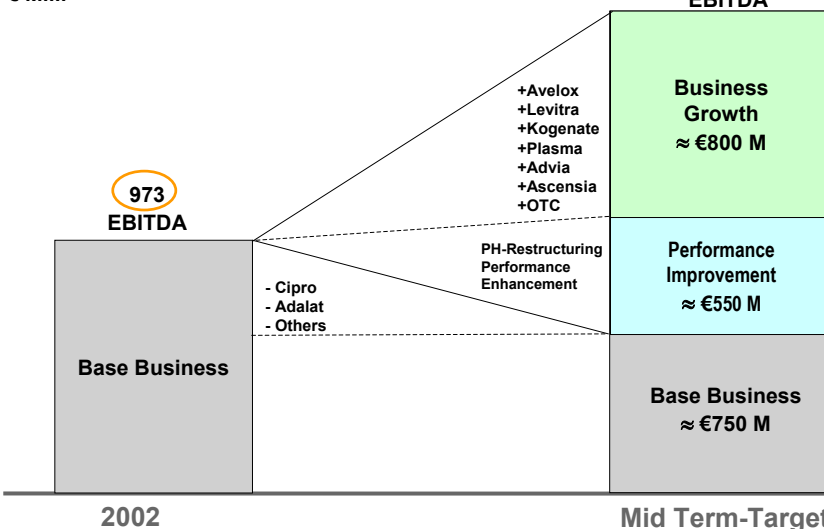
○ EBITDA Margin



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## Bayer HealthCare Mid Term Targets

€ Mill.



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## Bayer HealthCare Commitment

Bayer HealthCare has  
everything in place to reach  
these targets

### Bayer HealthCare Performance Programs supporting Earnings growth

Mio € p.a.	<u>2003</u>	<u>2004</u>	<u>2005</u>
Pharma- Restructuring	130	380	440
BHC- Performance Enhancement	40	80	100
Others	10	10	10
Total*	<u>180</u>	<u>470</u>	<u>550</u>

\*Expected savings p/a

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## Bayer HealthCare New Product Launches 2003

Expect > **€700 Mill.** sales from new product launches in 2003  
with peak sales potential of **≈ €3.8 BN**

### Pharma New Product launches (≈ €300 Mill.)

- ⇒ Levitra Launch (20 countries in 9 month)
- ⇒ Avelox in additional countries
- ⇒ Kinzal<sup>MonoKomb</sup> in some European countries
- ⇒ Cipro XR

### Biologicals New Product launches (> €150 Mill.)

- ⇒ IGIV-C (Gamunex)

### Diagnostics New Product launches (> €140 Mill.)

- ⇒ Ascensia program launch
- ⇒ Infectious Disease Tests
- ⇒ Advia System

### Animal Health New Product launches (approx. €80 Mill.)

- ⇒ Advantix

### Consumer Care New Product launches (approx. €60 Mill.)

- ⇒ One a Day Weight Smart

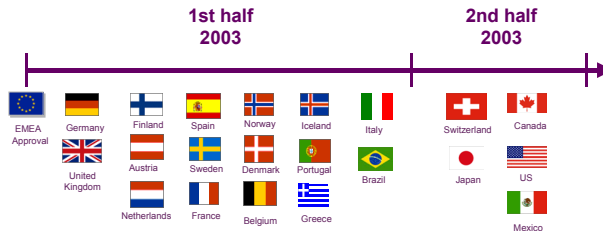
## 2002 – 2007 Pharma-Pipeline *(As of January 2003)*

<u>Project</u>	<u>Indication</u>	<u>Status</u>	expected launch			
			2002	2003	2004	>2005
Avelox i.v. <sup>®</sup>	(Bacterial Inf.)	Launched	■			
Cipro XR <sup>®</sup>	(Bacterial Inf.)	Launched		■		
Levitra <sup>®</sup>	(Erectile Dysf.)	Launched/Filed		■		
Raf Kinase Inh.	(Cancer)	Phase II				■
Repinotan	(Stroke)	Phase II				■
Taxane analogue	(Cancer)	Phase II				■
Factor Xa Inh.	(CV)	Phase II				■



## Levitra, our next potential Blockbuster

- Opportunity: > 1 Billion €
- Approved in EU, March 7, 2003
  - ⇒ Launches starting this week
  - ⇒ US, Japan approval expected 2nd Half 2003
- Within 9 Months Levitra will launch in over 90% of the ED Market

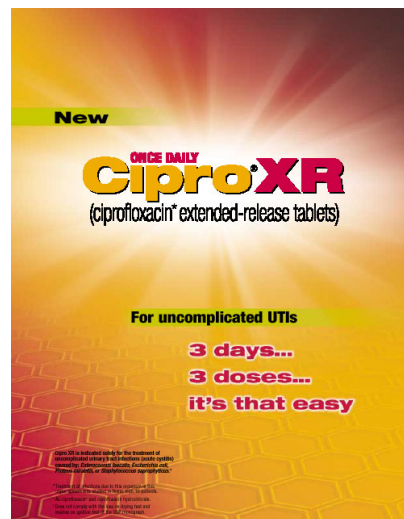


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## Cipro XR

- Opportunity: ≈ 300 Million €
- Cipro XR uUTI launched January 03
  - ⇒ Initial stocking demand of \$35 Million
  - ⇒ Medicaid formulary acceptance of 98% of states



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## Bayer HealthCare - Summary

- Bayer HealthCare has significant well performing assets in several attractive markets
- Significant performance improvement in Pharma and Biological Products
- Topline growth midterm of 6 % p/a
- Prepared for portfolio adjustment



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Rolf Classon, Bayer HealthCare