



Investor Conference

London, August 6, 2003



First Half 2003 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.

1H'03: Continued Progress in a Challenging Environment



- Strong local currency top line growth (+ 10% yoy)
 - EBIT significantly improved (+ 40% yoy)
 - Business momentum maintained in second quarter (Sales + 7 % in local currency / EBIT + 80%)
 - Strong cash generation (gross cash flow + 56%)
 - €2.2bn efficiency improvement program on track (€347m contribution during 1H)
 - Continued progress with Baycol settlement program (1,211 cases settled for \$432m)
 - Carve-out process continuing
- ➡ Outlook reconfirmed (double digit % growth in EBIT)
- ➡ Committed to deliver solutions for strategic challenges

Q2'03 Financial Highlights



€ million

| | Q2'03 | Δ% yoy | 1H'03 | Δ% yoy |
|----------------------|-------|--------|--------|---------|
| Sales | 7,256 | - 3.3 | 14,612 | - 0.8 |
| EBIT | 454 | + 80.2 | 1,529 | + 40.0 |
| Special items (net) | 17 | • | 272 | • |
| EBIT (underlying) | 437 | + 30.1 | 1,257 | + 53.5 |
| EBITDA | 1,100 | + 6.4 | 2,882 | + 14.3 |
| Non-operating result | (176) | • | (348) | - 208.0 |
| Pre-tax income | 278 | - 6.1 | 1,181 | + 20.6 |
| After-tax income | 129 | - 56.4 | 722 | - 12.0 |
| Net income | 128 | - 56.3 | 714 | - 12.5 |
| Gross cash flow | 1,089 | + 43.1 | 2,491 | + 56.2 |
| Net cash flow | 967 | - 11.5 | 1,130 | - 15.2 |
| Earnings/share (€) | 0.18 | - 55.0 | 0.98 | - 12.5 |

Components of Q2 Sales Trend



€ million

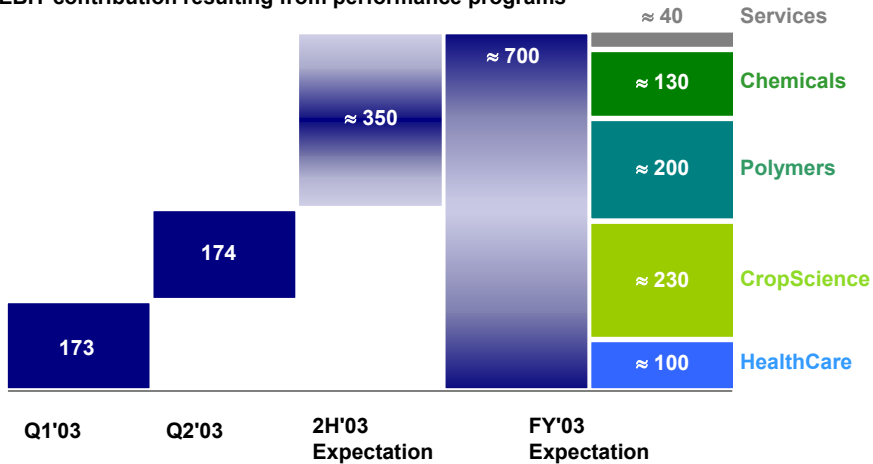
| | Q2'02 | Q2'03 | Δ% yoy | | |
|--------------------------------------|-------|-------|--------|-------------------------------|-------|
| Sales | 7,504 | | | | |
| + Acquisitions / Divestitures | | 16 | + 0.2 | Aventis CropScience | + 467 |
| | | | | Haarmann & Reimer | - 233 |
| | | | | BCS disposals | - 117 |
| | | | | Household Insecticides | - 60 |
| | | | | PolymerLatex | - 30 |
| | | | | Organic Pigments | - 15 |
| | | | | Others | + 4 |
| - Currencies | | (795) | - 10.6 | | |
| + Prices | | 218 | + 2.9 | | |
| + Volumes | | 313 | + 4.2 | | |
| | | 7,256 | - 3.3 | | |

2.2 bn Efficiency Improvement Program on Target



€ million

EBIT contribution resulting from performance programs



15,000 Headcount Reduction Program on Track



Number of employees

| | Group | Continuing | |
|--------------|----------|------------|---------------------------------------|
| FY'01 | 130,100* | 126,200* | - 3,600 |
| Q2'02 | 127,800 | 124,200 | |
| Q3'02 | | 123,500 | |
| FY'02 | 122,600 | 122,600 | - 4,000** |
| Q1'03 | | 118,600 | |
| Q2'03 | 117,500 | 117,500 | - 1,100 |
| | | | <u>8,700</u> |
| | | | <u>- 1,500 household insecticides</u> |
| | | | <u>7,200</u> |

* including 13,200 from ACS
 ** including 1,500 from household insecticides

Q2 Special Items







€ million

| | Q2 / 2003 | | | Q2 / 2002 | | | Δ Net |
|-------------------|--------------|------------|-----------|--------------|-----------|-------------|------------|
| | Charge | Gain | Net | Charge | Gain | Net | |
| HealthCare | (26) | 122 | 96 | (24) | 76 | 53 | 43 |
| CropScience | (53) | 4 | (49) | 0 | 0 | 0 | (49) |
| Polymers | (50) | 31 | (19) | (126) | 0 | (126) | 107 |
| Chemicals | (11) | 0 | (11) | (12) | 0 | (12) | 1 |
| Reconciliation | 0 | 0 | 0 | (12) | 13 | 1 | (1) |
| Continuing | (140) | 157 | 17 | (174) | 89 | (84) | 101 |
| Discontinuing | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | (140) | 157 | 17 | (174) | 89 | (84) | 101 |

Key Figures for Business Areas



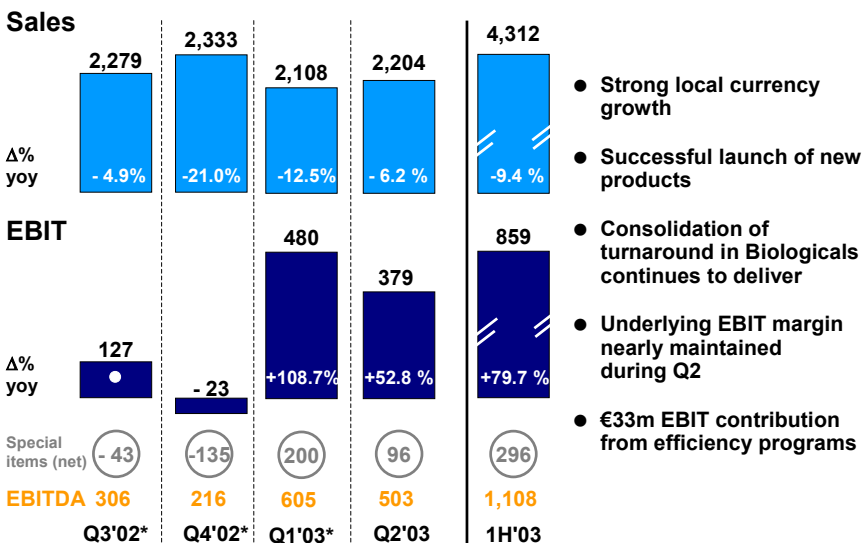
€ million

| Business Area | Q2'03 | Δ% yoy | 1H'03 | Δ% yoy |
|---|--|----------------------------|-----------------------|------------------------------|
|  HealthCare Strong position in main parts of the business | Sales: 2,204 EBIT: 379 EBITDA: 503 | - 6.2 + 52.8 + 24.2 | 4,312 859 1,108 | - 9.4 + 79.7 + 38.7 |
|  CropScience A new market leader is taking shape | Sales: 1,567 EBIT: 33 EBITDA: 228 | + 44.7 + 50.0 + 51.0 | 3,228 476 869 | + 65.6 + 186.7 + 145.5 |
|  Polymers A global market leader | Sales: 2,451 EBIT: 69 EBITDA: 262 | - 8.0 + 360.0 - 22.0 | 5,003 143 582 | - 5.2 + 297.2 - 7.9 |
|  Chemicals Strong positions in specialty applications | Sales: 871 EBIT: 2 EBITDA: 76 | - 26.6 - 93.8 - 45.7 | 1,743 40 185 | - 25.7 - 56.0 - 37.9 |

HealthCare Quarterly Performance



€ million



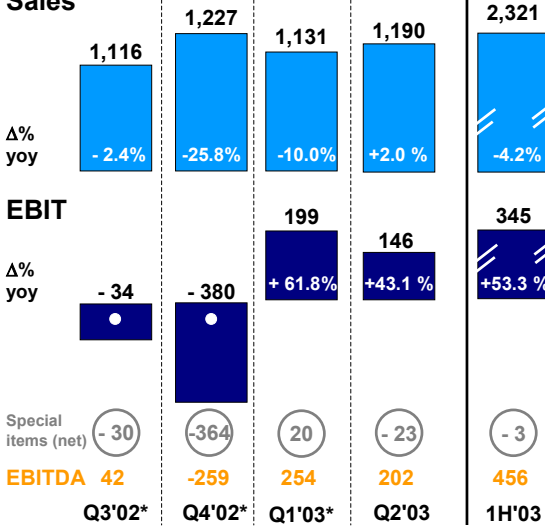
* special items restated

Pharmaceuticals / Biological Products Quarterly Performance



€ million

Sales



- Strong local currency growth during Q2:
Pharmaceuticals + 14.4%
Biologicals + 18.2%
- Cipro sales boosted by first shipments to Barr
- Avelox sales affected by destocking
(Q2 U.S. scripts + 36% yoy)
- Levitra launch on track
- Kogenate continues to regain market share
- Plasma products performed well in competitive environment
- More efficient cost structures bear fruit

* special items restated

Top 10 Pharma / Biological Products

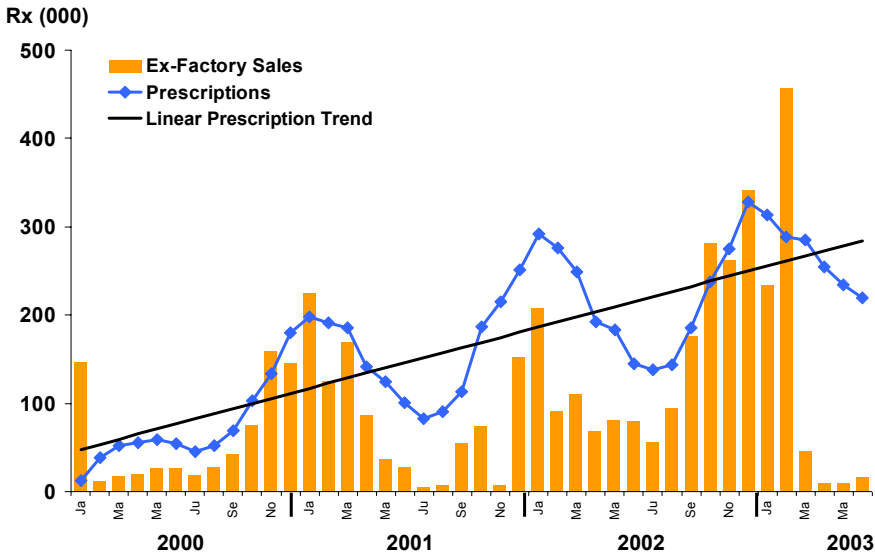


€ million

| | | Q2'03 | Δ % yoy | % yoy in Loc. Curr. | 1H'03 | Δ % yoy | % yoy in Loc. Curr. |
|----|----------------|-------|---------|---------------------|-------|---------|---------------------|
| 1 | Cipro | 443 | + 20 | + 42 | 779 | + 1 | + 18 |
| 2 | Adalat | 184 | - 22 | - 12 | 338 | - 24 | - 14 |
| 3 | Kogenate* | 106 | + 33 | + 42 | 215 | + 31 | + 42 |
| 4 | Gamimune* | 78 | ± 0 | + 19 | 138 | - 10 | + 5 |
| 5 | Glucobay | 65 | - 7 | + 1 | 135 | - 7 | + 4 |
| 6 | Prolastin* | 44 | + 10 | + 29 | 84 | + 2 | + 20 |
| 7 | Avelox | 31 | - 30 | - 20 | 139 | + 24 | + 43 |
| 8 | Trasylol | 29 | + 45 | + 70 | 69 | + 10 | + 31 |
| 9 | Aspirin Cardio | 29 | 16 | + 28 | 53 | + 19 | + 31 |
| 10 | Levitra | 14 | • | • | 23 | • | • |

* Biological Products

Avelox Performance Intact: U.S. Prescription Trend Healthy

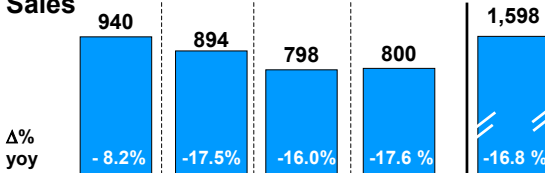


Consumer Care / Diagnostics Quarterly Performance



€ million

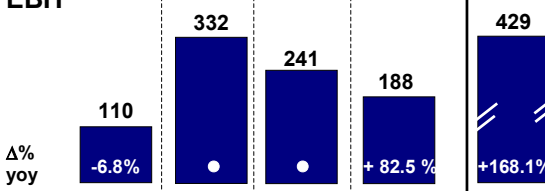
Sales



- Q2 sales decline due to Fx and divestitures

Consumer Care + 4.9% Fx and portfolio adjusted
Diagnostics + 2.6% local currency growth

EBIT



- Strong performance of nutritionals and Alka-Seltzer line

- Situation in key Latin American countries improving

- Competitive pressure in Self-Testing segment

- Divestiture of household insecticides resulted in €122m capital gain in Q2

Special Items (net)



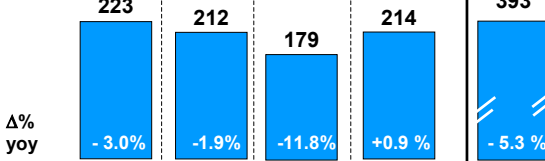
* special items restated

Animal Health Quarterly Performance

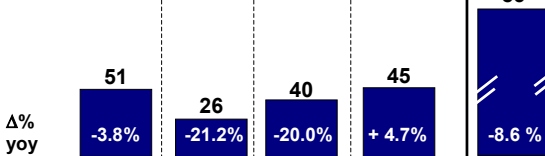


€ million

Sales



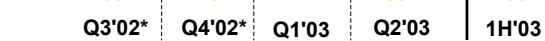
EBIT



Special items (net)



EBITDA



* special items restated

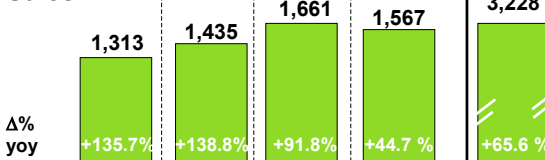
- Q2 local currency sales growth +15%
- Successful start of Advantix in the U.S.
- Attractive profit margin maintained

CropScience Quarterly Performance

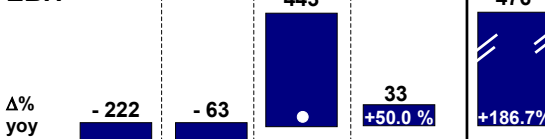


€ million

Sales



EBIT



Special items (net)



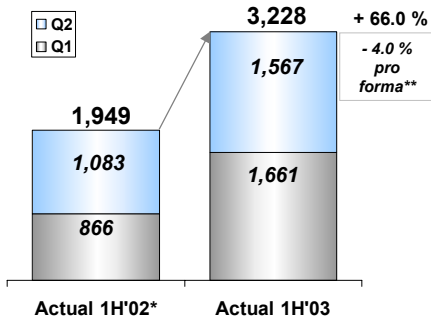
* special items restated

- 1H EBITDA margin of 27% fully in line with planning
- Business maintained – in some regions market share gains (EU)
- Integration progressing smoothly
- Q2 performance weak but not representative
 - approx. €100m integration costs (incl. €53m one-offs)
 - Q1 incl. €123m divestiture effects and margin on mandatory divestments
 - unfavorable cost structure compared to Q1

Sales Development Q1/Q2 2003



€ million



* Actual 1H'02 includes former ACS business after 06/01/02
** Pro Forma excludes divestments

- **Europe (€1,130 million)**
Position strengthened in difficult market environment
- **NAFTA (€662 million)**
Strong corn/cereal campaign in U.S. & Insecticide/Herbicide year in Canada
- **NEA (€250 million)**
Core markets Japan & Korea affected by market downturn
- **Cono Sur (€140 million)**
Conditions in Brazil & Argentina stabilizing; Expect strong 2nd semester
- **International (€460 million)**
Dramatic reduction in cotton acreage in core country Australia
- **Environmental Science (€418 million)**
Unfavorable weather affecting U.S. Consumer Business
- **BioScience (€168 million)**
Nunza on Track; strong growth in cotton and canola Business

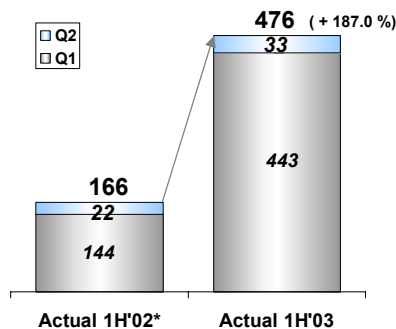
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EBIT Development Q1/Q2 2003



€ million



Key Factors:

- First-time consolidation of full 6 months of ACS business in 2003
- Extraordinary factors impacting 1H'03:
 - Divestment effects and margin on mandatory divestments
+ €123 million
 - Restructuring cost - €100 million

* Actual 1H'02 includes former ACS business after 06/01/02

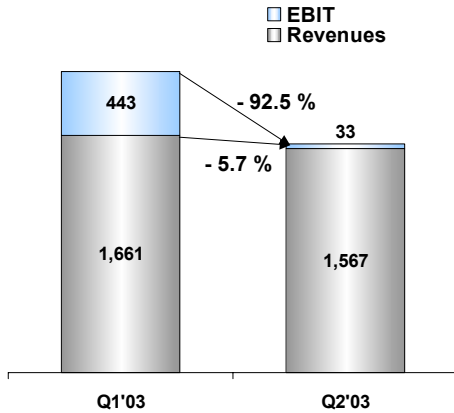
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EBIT Development Q1/Q2 2003



€ million



Q1 / Q2 Variance in ROS:

- Top line sales decrease
- Change in product mix
- Restructuring costs
- Increased functional costs
- ForEx development
- Divestment gains
- Fipronil transaction

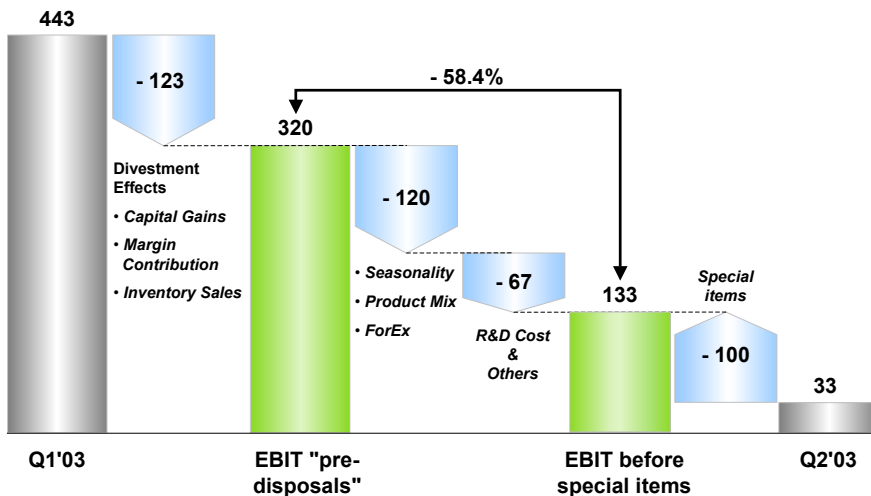
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CropScience – Q1 to Q2 EBIT Development



€ million



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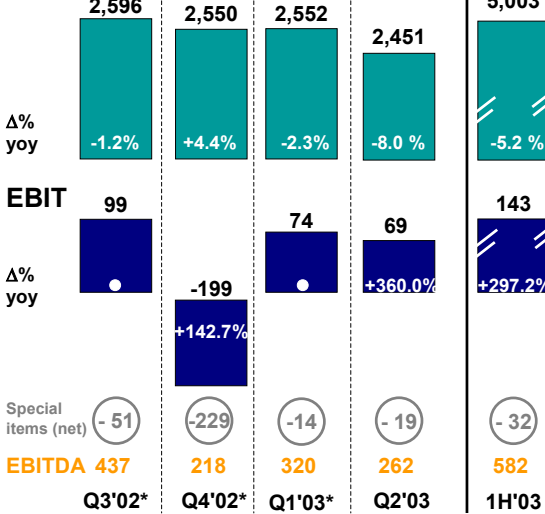


Polymers Quarterly Performance



€ million

Sales



* restated

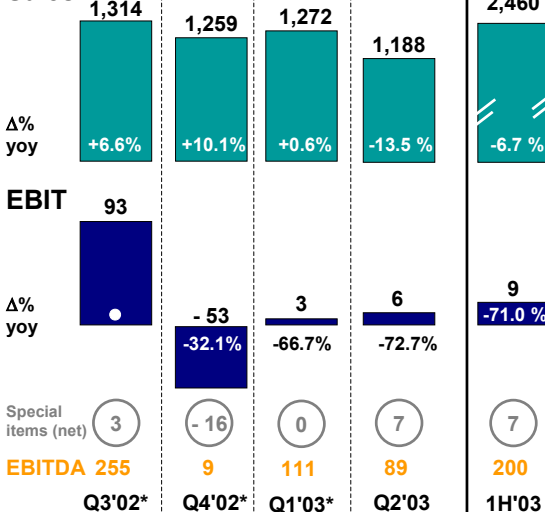
- Economic environment remains challenging
- Weak demand from key customer industries
- EBIT negatively affected by high and rising raw material and energy costs
- Selling prices remain unsatisfactory
- Margin losses throughout portfolio
- Efficiency programs contributed €90m during 1H

Plastics / Rubber Quarterly Performance



€ million

Sales



* restated

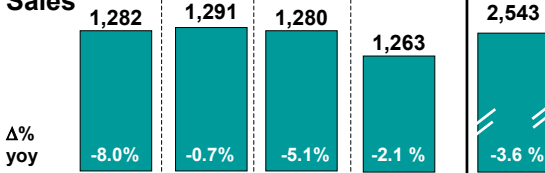
- Engineering thermoplastics dropped 11% (1.7% in local currencies)
- Rubber polymers down 17% (9.8% in local currencies)
- Strong volume growth for Makrolon
- Styrenics face weak demand and increased Asian competition
- Ongoing margin pressure requires continued restructuring and portfolio adjustments
- EBIT includes €30m gain from PolymerLatex divestiture

Polyurethanes / Coatings / Fibers Quarterly Performance

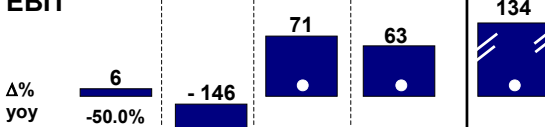


€ million

Sales



EBIT



Special items (net)



EBITDA



Q3'02*

Q4'02*

Q1'03

Q2'03

1H'03

* restated

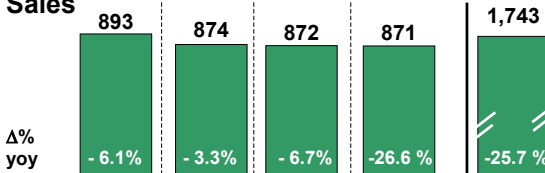
- Q2 sales growth in local currency:
Polyurethanes: + 11.5%
Coatings: + 2%
- High capacity utilisation, especially in MDI segment
- Pricing pressure in Asia intensified
- Improved cost structures with positive impact on profits
- € 26m restructuring charge

Chemicals Quarterly Performance

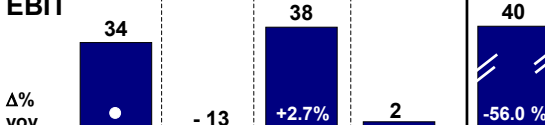


€ million

Sales



EBIT



Special items (net)



EBITDA



Q3'02*

Q4'02*

Q1'03

Q2'03

1H'03

* restated

- Portfolio and currency adjusted top-line decline only - 0.4%
- Positive sales development in Functional Chemicals
- H.C. Starck still suffering from low demand in key customer industries
- Ongoing margin pressure requires additional restructuring and portfolio adjustments

1H Non-Operating Result



€ million

| | Q2'03 | Q2'02 | Δ% yoy | 1H'03 | 1H'02 | Δ% yoy |
|--|--------------|-----------|-----------|--------------|--------------|-----------|
| Non-operating result | (176) | 44 | • | (348) | (113) | • |
| • Income from affiliated companies – net | 3 | 231 | - 98.7 | 17 | 234 | - 92.7 |
| • Interest expense – net | (107) | (116) | + 7.8 | (220) | (178) | - 23.6 |
| • Interest portion of pension provisions | (64) | (70) | + 8.6 | (131) | (137) | + 4.4 |
| • Exchange gain – net | (3) | 4 | - 175.0 | (11) | (6) | - 83.3 |
| • Miscellaneous – net | (5) | (5) | 0 | (3) | (26) | + 88.5 |

Cashflow Figures



€ million

| | Q1'03 | Q2'03 | 1H'03 | Δ yoy |
|--|----------------|--------------|----------------|--------------|
| Gross cash flow | 1,402 | 1,089 | 2,491 | 896 |
| +/- Change in working capital | (1,239) | (122) | (1,361) | (1,099) |
| = Net cash flow | 163 | 967 | 1,130 | (203) |
| - Capital expenditures | (476) | (324) | (800) | 216 |
| = Operating free cash flow | (313) | 643 | 330 | 13 |
| - Interest, dividends | (64) | (864) | (928) | 54 |
| = Free cash flow | (377) | (221) | (598) | 67 |
| - Acquisitions / divestments | 1,406 | 49 | 1,455 | 4,930 |
| = Free cash flow after acquisitions | 1,029 | (172) | 857 | 4,997 |
| - Derivatives, currency, others | 104 | 142 | 246 | 1,699 |
| Δ Net debt (financial statements) | (1,133) | 30 | (1,103) | 6,696 |

Outlook



- Economic environment expected to remain challenging in the second half of 2003
 - Limited scope to increase selling prices
 - Raw material and energy costs expected to remain high
 - Weakness of the U.S. dollar
 - Focus on cost-cutting and efficiency improvements
 - Further seasonal decline in CropScience business
 - HealthCare earnings restrained by launch costs of Levitra and competitive pressure on Cipro
- ➡ Double digit percentage increase in EBIT
- ➡ Committed to find strategic solution for challenges

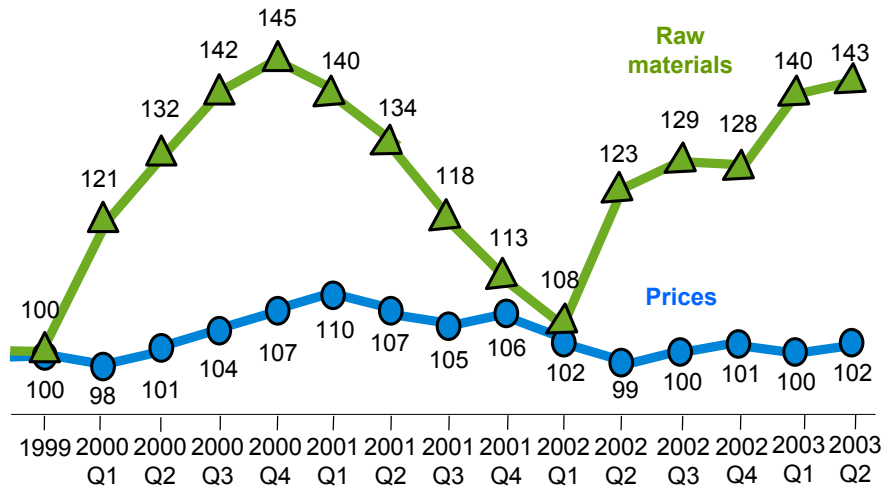


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Appendix

Polymers – Raw material and selling price development



1H Special Items



€ million

| | 1H / 2003 | | | 1H / 2002 | | | Δ Net |
|-------------------|--------------|------------|------------|--------------|------------|------------|------------|
| | Charge | Gain | Net | Charge | Gain | Net | |
| HealthCare | (22) | 318 | 296 | (27) | 76 | 49 | 247 |
| CropScience | (53) | 38 | (15) | 0 | 0 | 0 | (15) |
| Polymers | (62) | 30 | (32) | (185) | 0 | (185) | 153 |
| Chemicals | (13) | 0 | (13) | (45) | 0 | (45) | 32 |
| Reconciliation | 0 | 36 | 36 | 0 | 454 | 454 | (418) |
| Continuing | (150) | 422 | 272 | (257) | 530 | 273 | (1) |
| Discontinuing | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | (150) | 422 | 272 | (257) | 530 | 273 | (1) |

Investor Relations Contacts



Dr. Alexander Rosar
Head of Investor Relations
Building W 11
D-51368 Leverkusen
Phone: +49-214-30-81013
Fax: +49-214-30-66247
E-mail: alexander.rosar.ar1@bayer-ag.de



Dr. Jürgen Beunink
Investor Relations Manager
Building W 11
D-51368 Leverkusen
Phone: +49-214-30-65742
Fax: +49-214-30-66247
E-mail: juergen.beunink.jb@bayer-ag.de



Judith Nestmann
Investor Relations Manager
Building W 11
D-51368 Leverkusen
Phone: +49-214-30-66836
Fax: +49-214-30-66247
E-mail: judith.nestmann.jn@bayer-ag.de



Peter Dahlhoff
Investor Relations Manager
Building W11
D-51368 Leverkusen
Phone: +49-214-30-33022
Fax: +49-214-30-41637
E-mail: peter.dahlhoff.pd@bayer-ag.de

Calendar of Events



| Date | Event | Location | Publication |
|------------------------------|----------------------------------|------------|---|
| Thursday March 6, 2003 | Spring Supervisory Board Meeting | | Dividend Proposal |
| Thursday March 13, 2003 | Spring Press Conference | Leverkusen | Full Year 2002 Results Annual Report |
| Friday March 14, 2003 | Spring Investor Conference | Leverkusen | Financial Presentations to Analysts & Investors |
| Friday April 25, 2003 | Annual Shareholders' Meeting | Cologne | |
| Friday May 2, 2003 | Dividend Payment | | |
| Monday May 7, 2003 | Conference Call | Leverkusen | 1st Quarter 2003 Stockholders' Newsletter, Review of Business Performance |
| Wednesday August 6, 2003 | Half Year Investor Conference | London | 1st Half 2003, Stockholders' Newsletter, Review of Business Performance |
| Tuesday November 11, 2003 | Fall Press Conference | Leverkusen | 3rd Quarter 2003 Stockholders' Newsletter |
| Tuesday November 11, 2003 | Fall Investor Conference | Leverkusen | Financial Presentations to Analysts & Investors |