

Bayer Pharma 2000

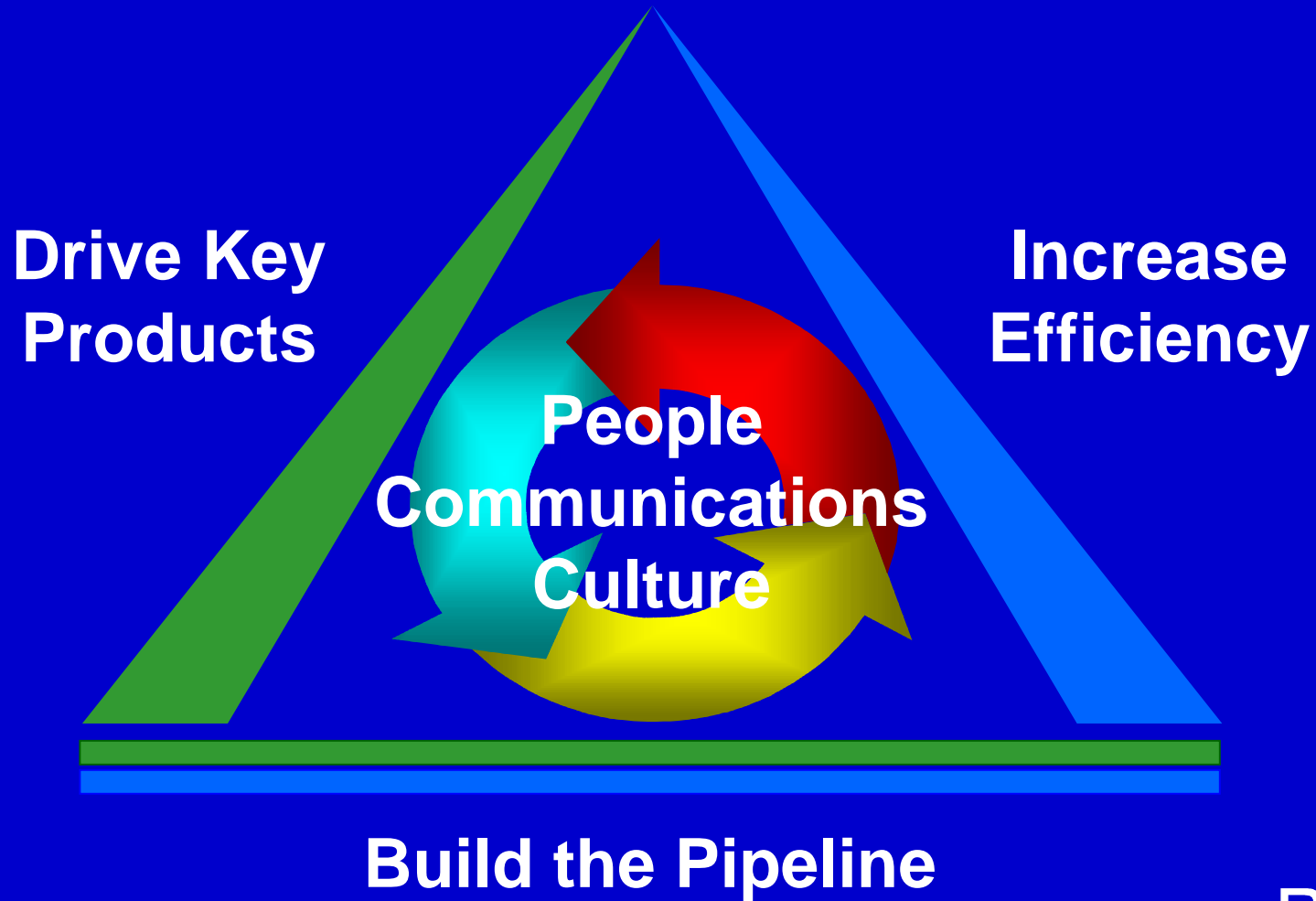
Dr. David Ebsworth
President
Bayer Pharma

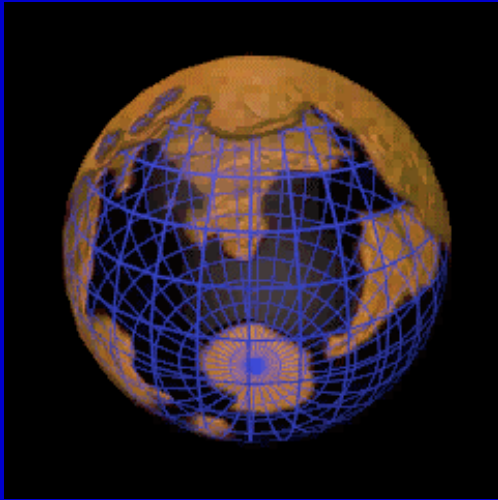
Investors Conference
Leverkusen, March 17, 2000

Agenda

- Introduction
- Business Performance 1999
- Improving Profitability
 - ⊗ **Driving Key Products**
 - ⊗ **Increasing Efficiency**
 - ⊗ **Building the Pipeline**
- Summary and Outlook

Improve Profitability





Business Performance 1999

Major Achievements 1999

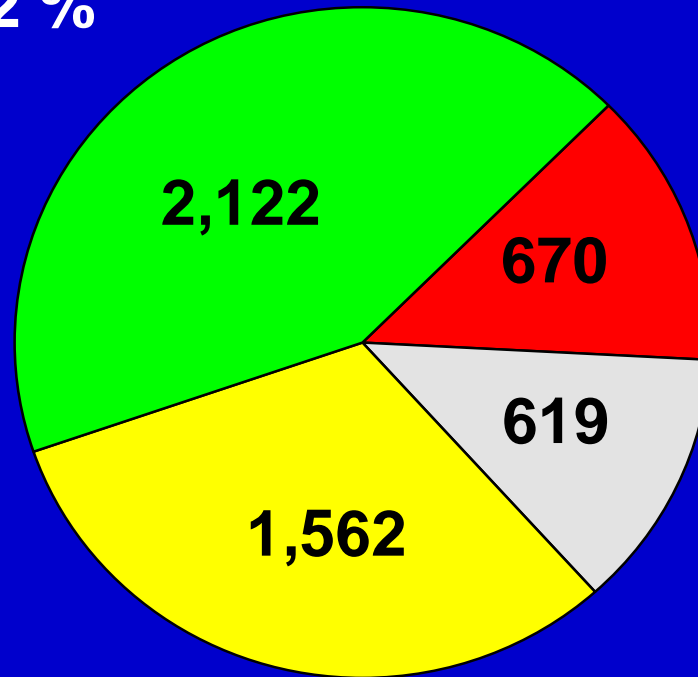
■ Growth Above Market

- Cipro: Sales in the US \$ 1 Bn, Sales Worldwide € 1.5 Bn
 - Adalat: Sales Worldwide € 1 Bn
 - Lipobay / Baycol: Launched in all Major Markets
 - Avelox: Launch in 3 Major Markets After Shortest Development Time on Record
-
- Top Tier Status achieved in all Key Research Technologies
 - 10 New Development Candidates
 - Faropenem In-Licensed from Suntory
-
- Restructuring: Tropon and Allergens Business Divested
 - Focusing on Core Business progressed

Bayer Pharma 1999

Net Sales in €Million 5,004
Growth 1999/1998 + 15 %
Growth 1999/1998 in LC + 11 %

North America + 22 %




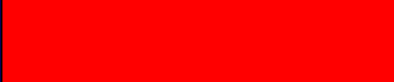

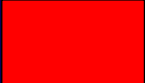

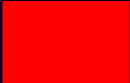
Japan + 26 %

Europe + 3 %

Overseas + 12 %

Top Countries 1999: US Share 38 %

Net Sales in €Million

		1999	± 1998
USA		1,902	+23%
Japan		670	+26%
Germany		490	0%
Italy		244	+7%
France		231	+14%
Canada		220	+18%

Top Products 1999: Cipro first Product to exceed €1.5 Bn

Net Sales in €Million	1999	± 1998
Cipro	1,519	+17%
Adalat	1,021	+6%
Kogenate	377	-2%
Lipobay / Baycol	350	+210%
Gamimune N	287	+59%
Glucobay / Precose	277	+13%

Focusing 1999: Headcount Shift to Core Business

Headcount Reduction Non-Core Businesses	- 1,350
■ Divestment Allergens and Plasma Collection Centers	- 700
■ Non-Core Countries	- 275
■ Efficiency Improvement Core Countries	- 375
Headcount Expansion Core Businesses	500
■ Strategic Investment Core Countries	80
■ Expansion Research	130
■ Integration Bayer HealthCare China	290
Balance	- 850

Improve Profitability

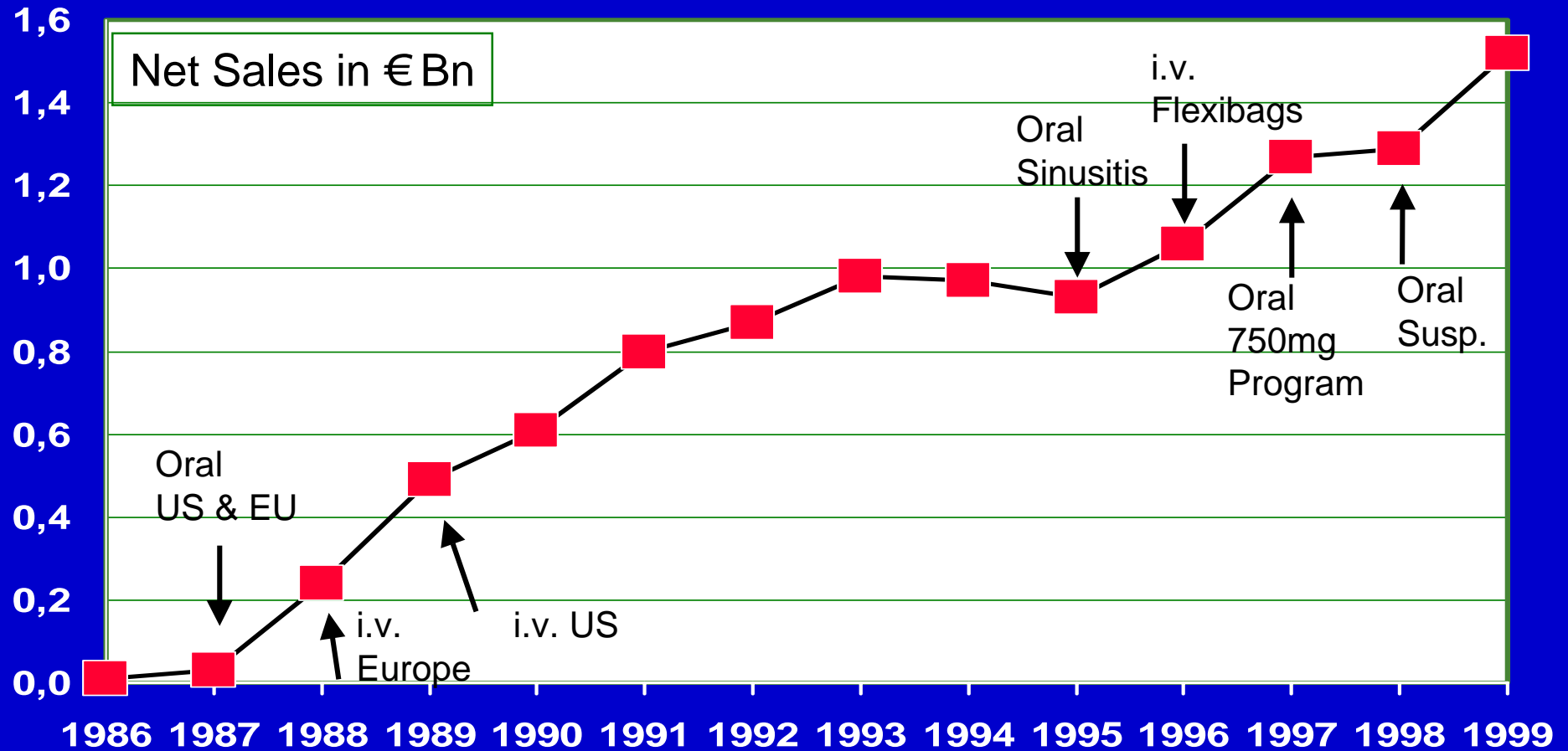
**Drive Key
Products**

**Increase
Efficiency**

**People
Communications
Culture**

Build the Pipeline

Successful Cipro Life Cycle Management



Cipro Life Cycle Management: Challenges

■ Prepare for Patent Term Expiration

By

- Extending indications (pediatric)
- Developing once daily formulation
- Launch of IV formulation in Japan in September 2000



**The ideal
respiratory antibiotic
providing
reliable efficacy
now and in the future**

- ⊗ Once Daily Dosing
- ⊗ 5 Day Therapy in Acute Exacerbation of Chronic Bronchitis
- ⊗ Penetrates Tissues Quickly

Avelox: Key Product Characteristics

Developed in 33% less time than industry standard (IND-Approval)

Clinical and Bacteriological Response

Responses	Clinical	Bacteriological
■ Acute Exacerbation of Chronic Bronchitis	89 %	92 %
■ Community Acquired Pneumonia	94 %	91 %
■ Acute Sinusitis	92 %	96 %

Safety and tolerability profile

- No phototoxicity, no dosage adjustment for renal impairment or mild hepatics
- Low CNS side effects (dizziness < 3 %) and low discontinuation rates (3.3 %)

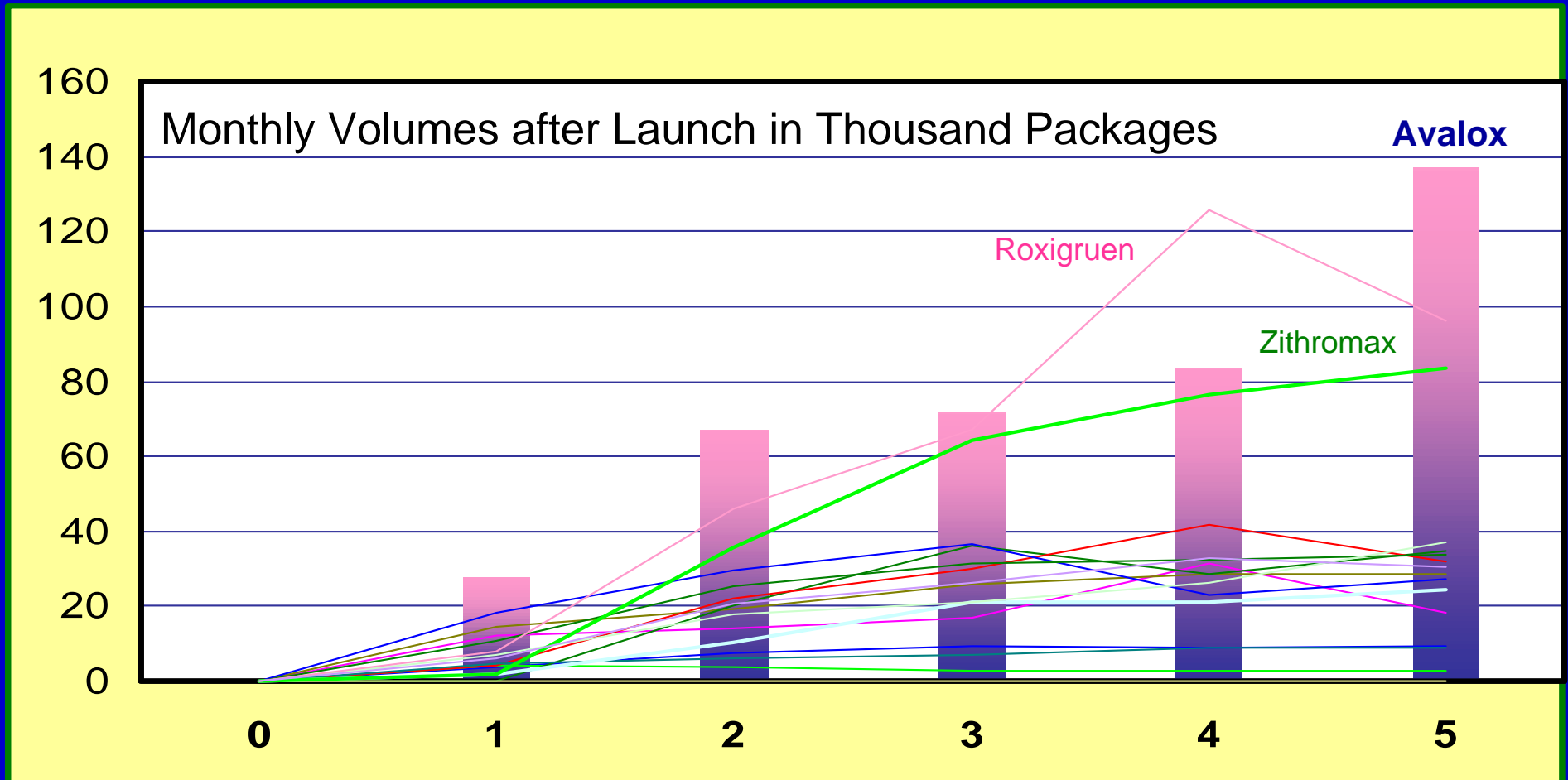
Avelox: Phase III QTc Effect Findings

- Large ECG program in phase III (2,650 patients)
- Mean QTc prolongation for Avelox: 6 ± 26 msec (all comparators: 1 ± 23 msec)
- Normal QTc interval: $<450/470 \pm 15-70$ msec
- Frequency of significant QTc changes (CPMP criteria): 2.8% (all comparators 2.2%)
- In clinical studies no significant QTc related adverse events reported
- No deaths as outcome of cardiac adverse drug reactions reported in the study population

Avelox: Post Marketing Experience

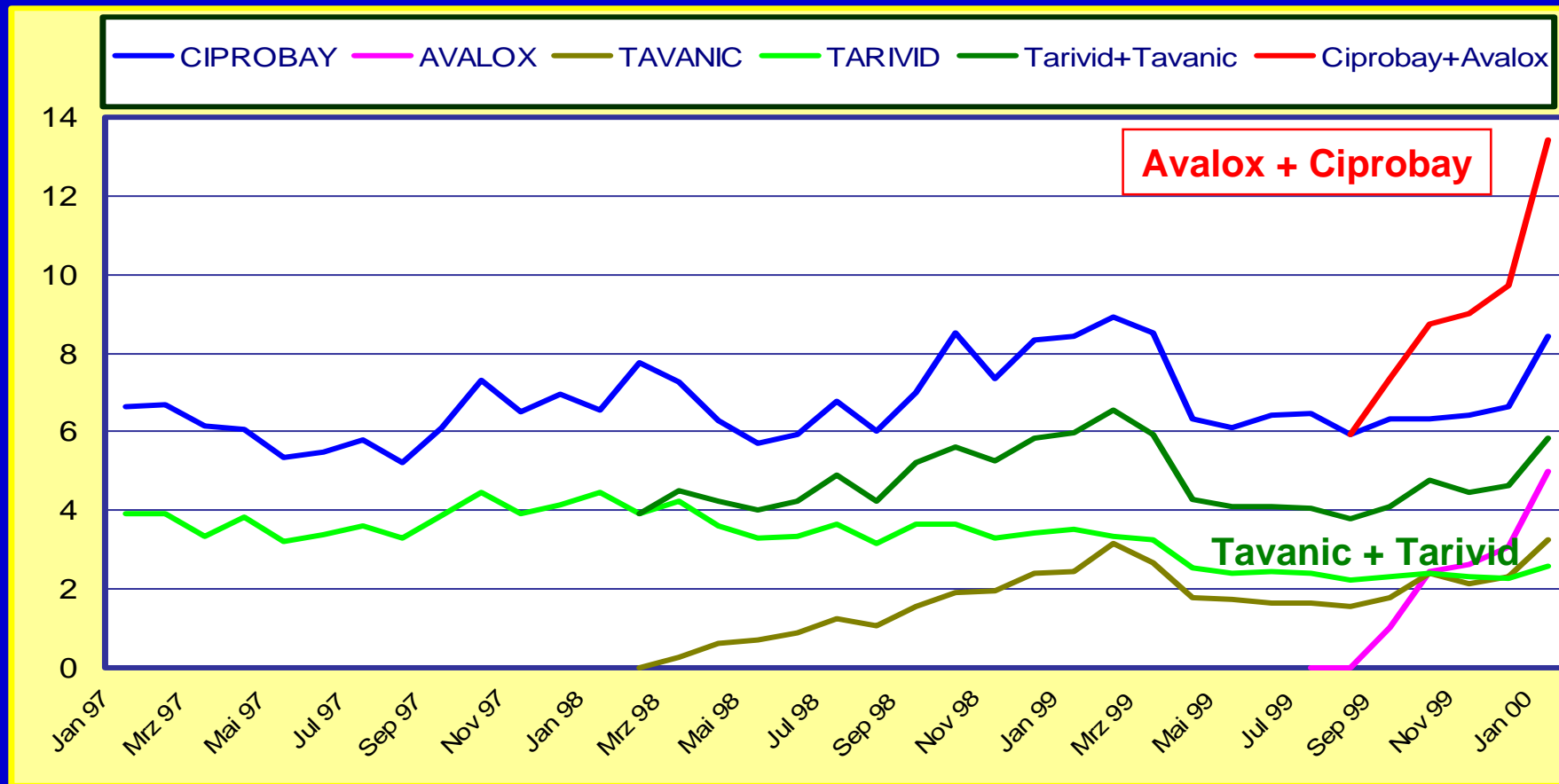
- 1 million patients treated so far
- No cases of proven QTc prolongation, ventricular arrhythmia, torsades de pointes reported

Avalox: Most Successful Antibiotics Launch in Germany



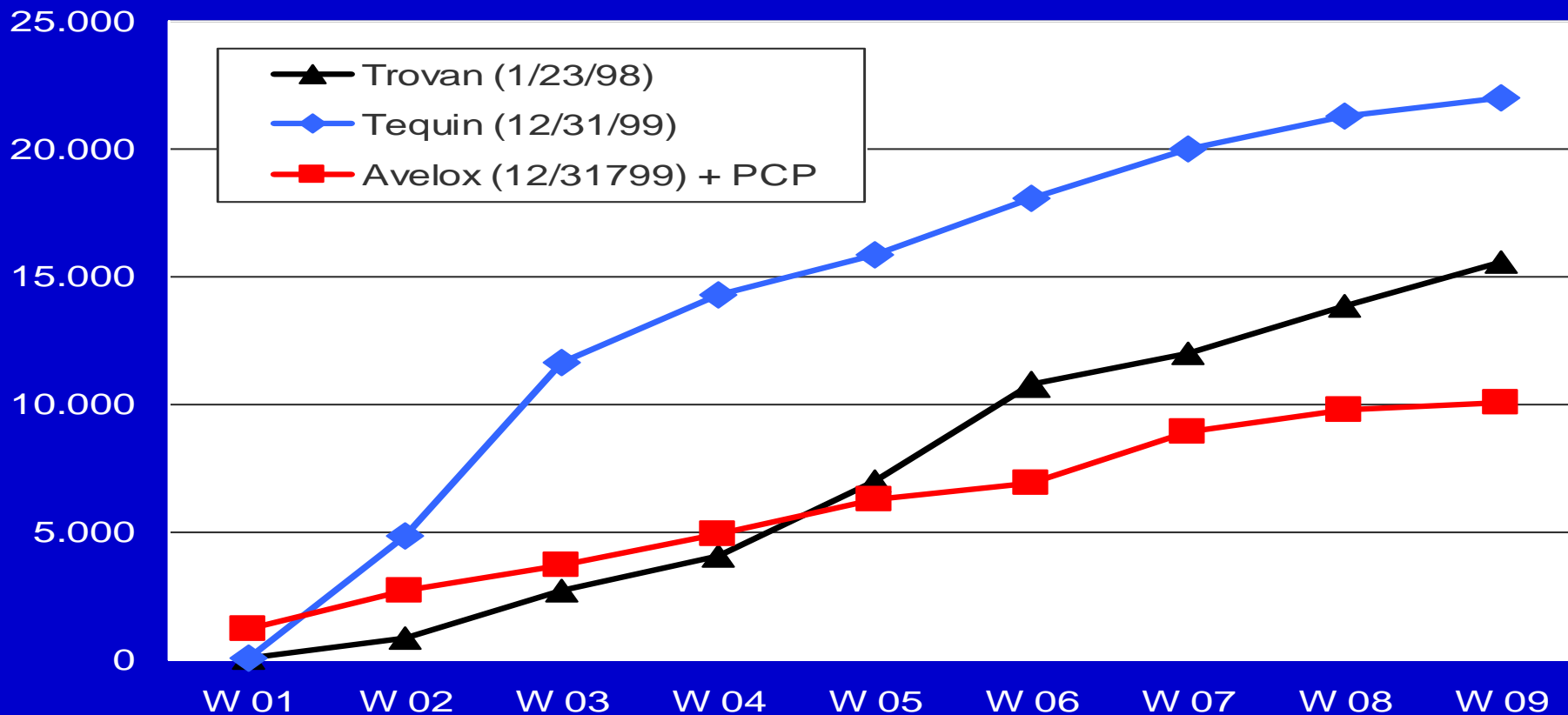
Avalox: Expands the Bayer Quinolone Franchise in Germany

Sales in DM Million, Pharmacy Market (Tablets), Jan 1997 - Jan 2000

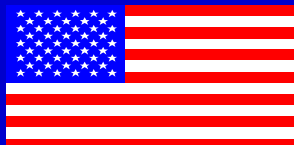


Avelox: US Performance Since Launch

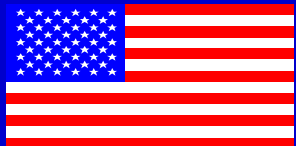
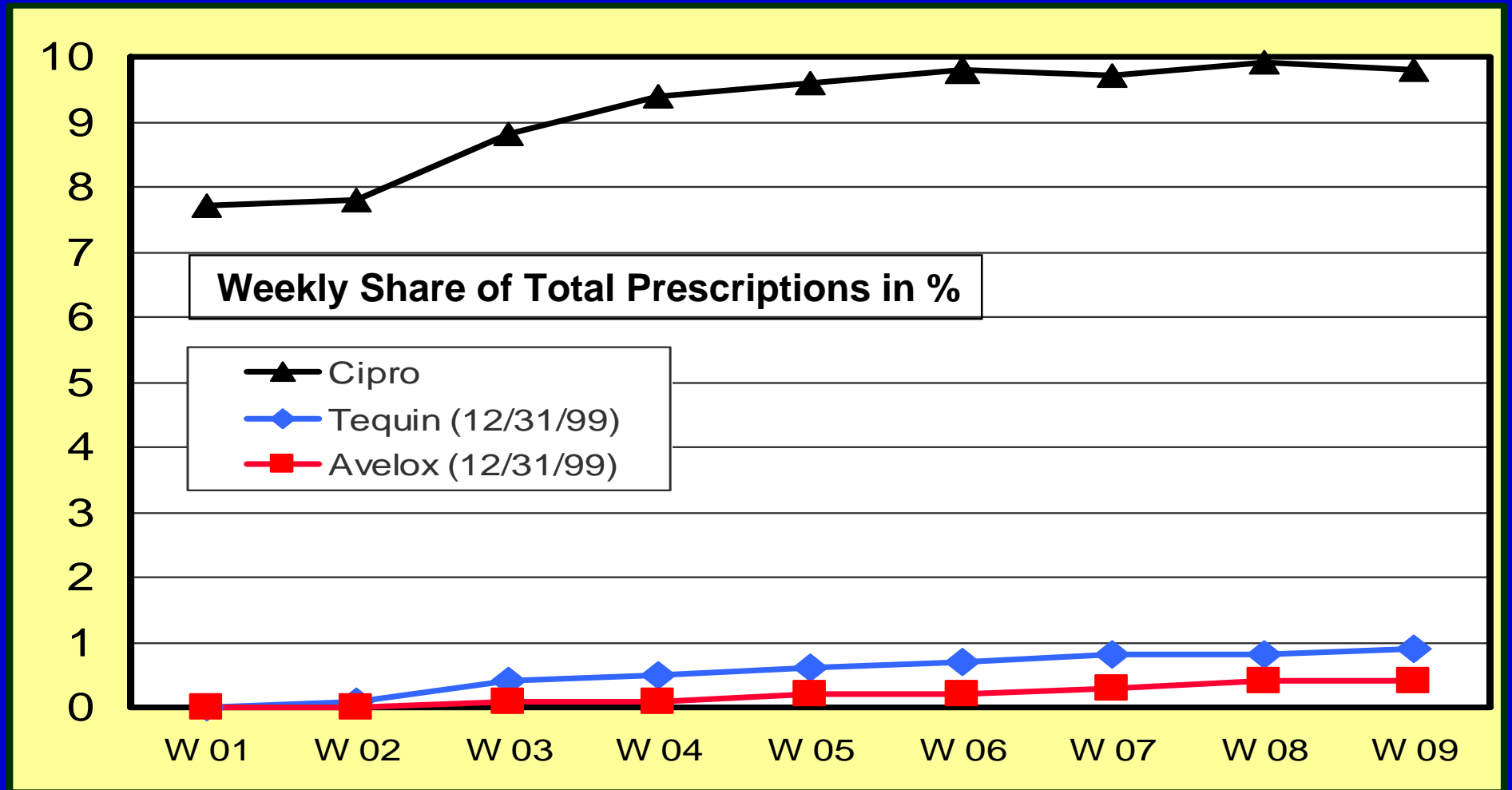
Rx / Patients



Avelox/Tequin:	•	57%	32%	34%	39%	38%	45%	46%	46%
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US: Maintaining Cipro Share despite new Quinolone Launches



Avelox Life Cycle Management: Challenges

Full Development and Exploitation of Product Potential

By

- **Developing Further Indications**
- **Developing IV Formulation**
- **Adding Resources to Marketing & Sales in the US**
 - ⊗ Shifting Sales Force Capacity to Avelox
 - ⊗ Employment of Rental Sales Force
 - ⊗ Additional P & I Resources
- **Enforcing Roll-Out in Europe, Canada, and Overseas**
 - ⊗ Launches in 40 countries by end of 2000 planned
 - ⊗ Launched already in 18 countries

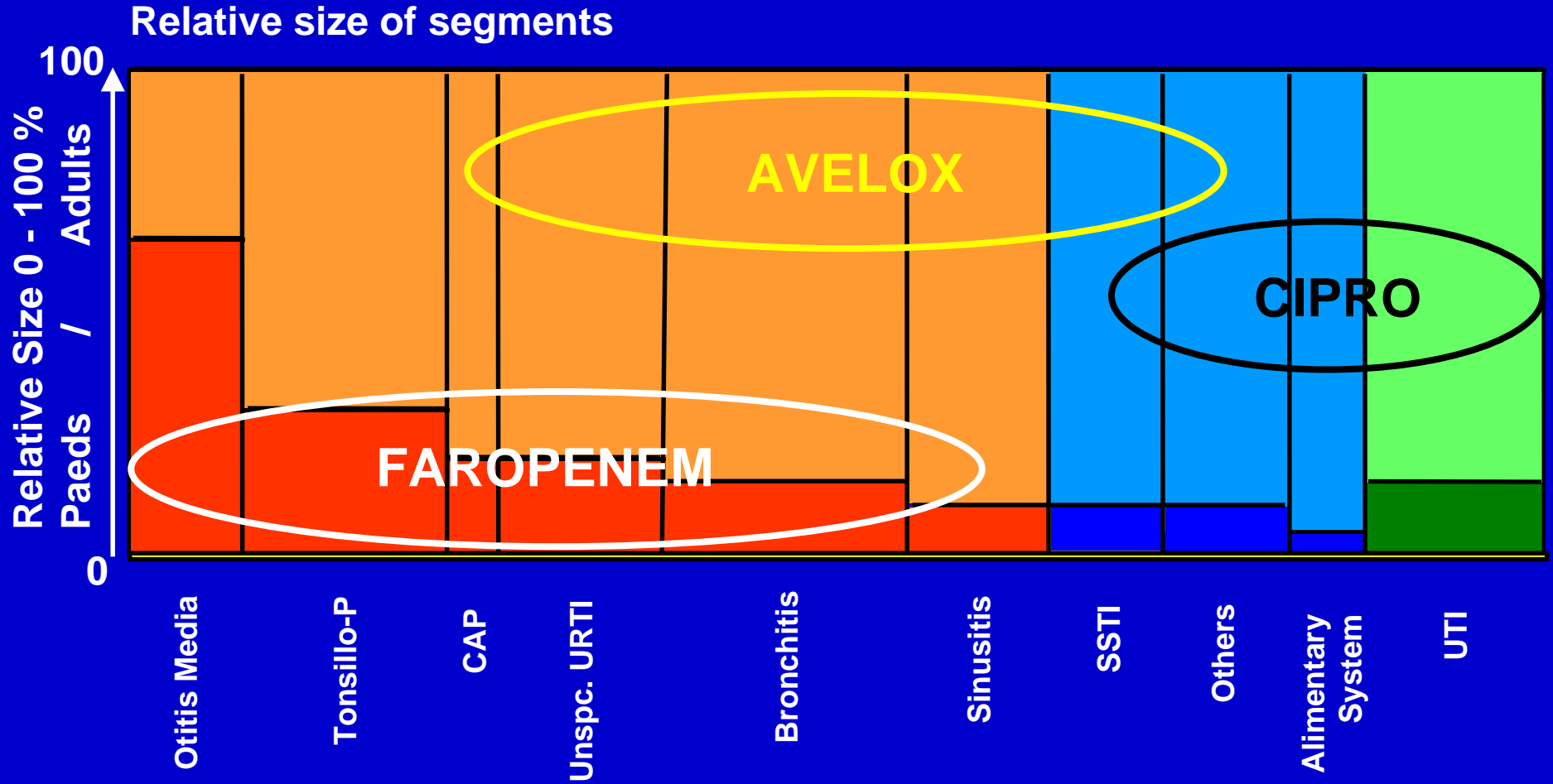
Cipro Life Cycle Management: Challenges

■ Clear Co-Positioning of Cipro and Avelox and Faropenem

Faropenem Daloxate

- ⊗ In-Licensed from Suntory July 1999
- ⊗ First oral penem (first in a new class of antibiotics for community acquired infection in adults and children)
- ⊗ Excellent antibiotic spectrum, superior safety profile
- ⊗ Launch scheduled for 2003

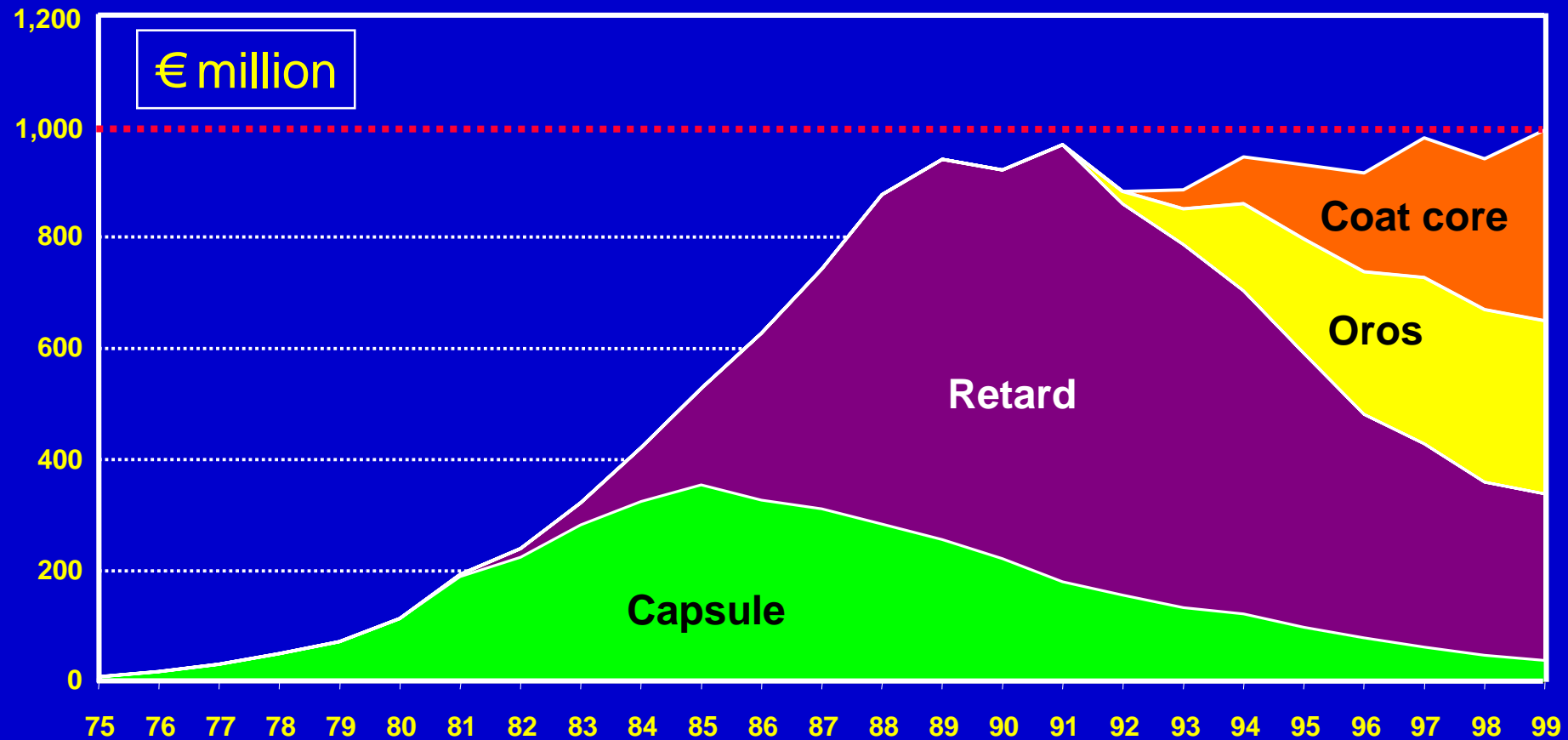
Co-Positioning Cipro - Avelox - Faropenem



Adalat Life Cycle Management: Achievements

€14 Billion in 25 Years

Adalat Life Cycle Management: Blockbuster Status Achieved



Adalat Life Cycle Management: Challenges

■ Patent Defense in US and Canada

Biovail has announced its intention to launch a generic version of 30mg Adalat CC in the US. Litigation is ongoing

■ Prepare for Patent Term Expirations

By

■ Developing the Product in Japan

■ Ongoing Studies

⊗ **INSIGHT** results to be published June 2000

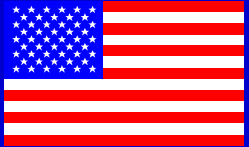
⊗ **ACTION** results to be published 2003

⊗ **ENCORE I** results to be published Q3 2000

⊗ **ENCORE II** results to be published Q1 2002

■ Concept of Cardiovascular Risk Management - Adalat, Baycol, Aspirin

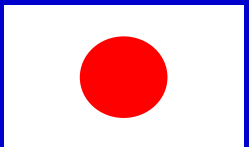
Baycol / Lipobay: Successful Marketing with Partners



US: SmithKline Beecham

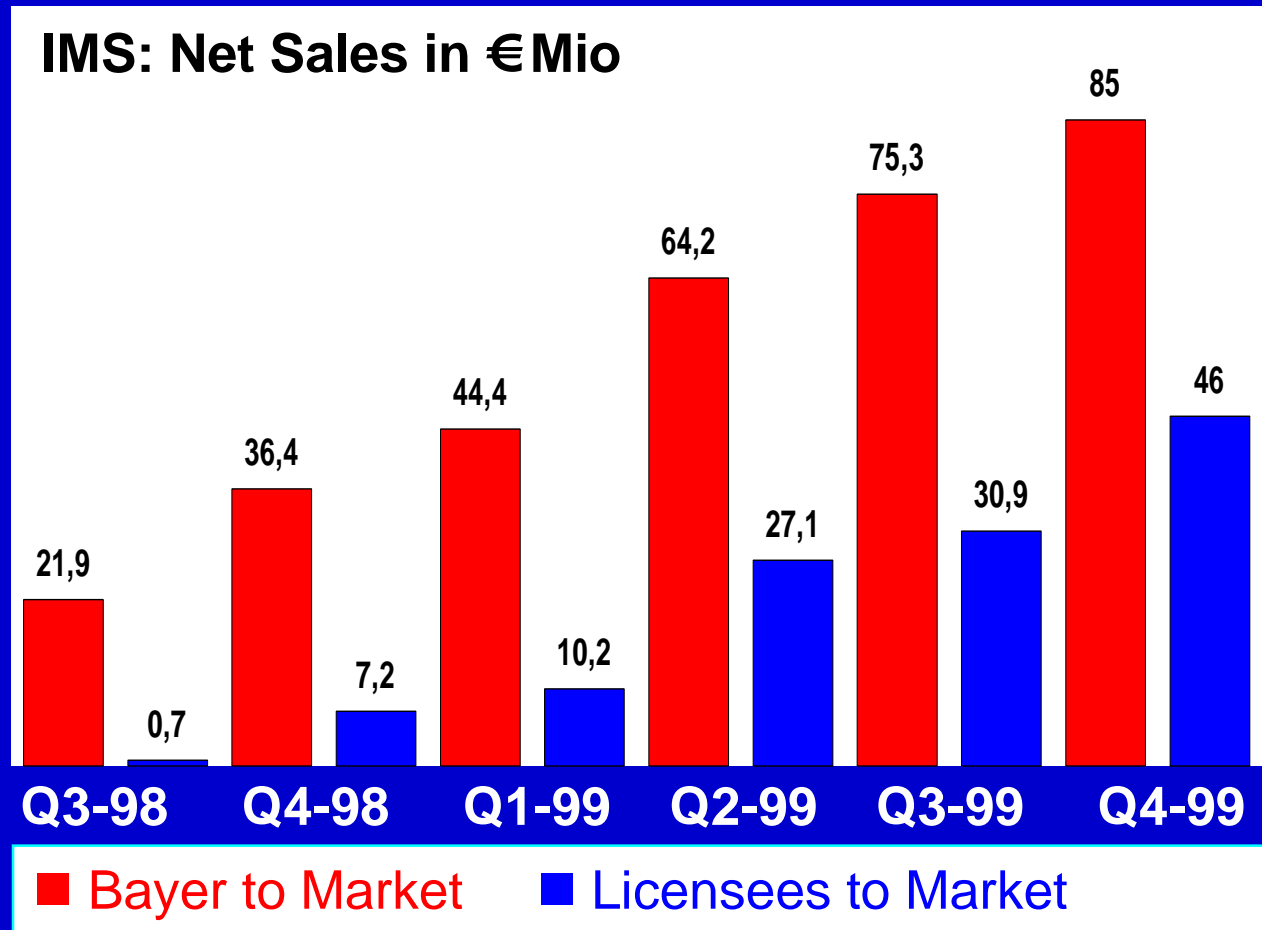
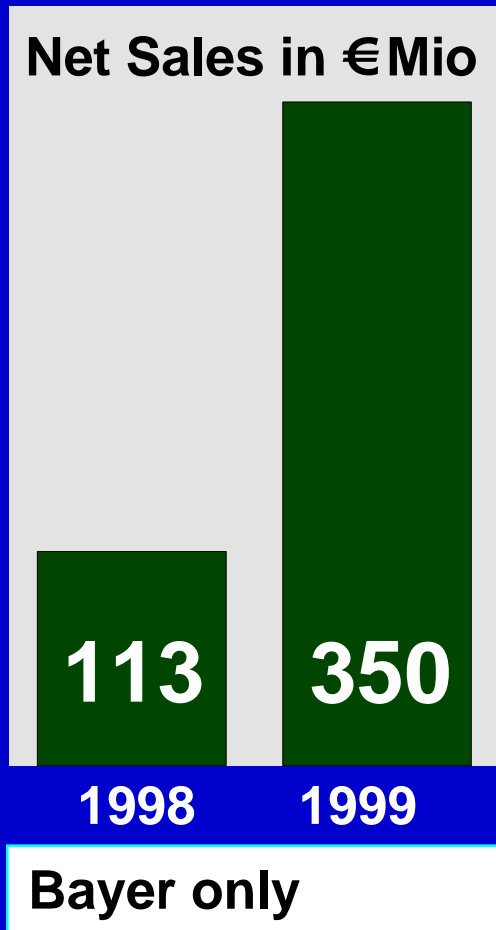


EU: Fournier

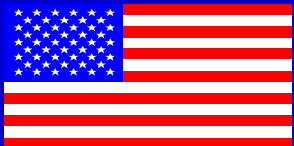
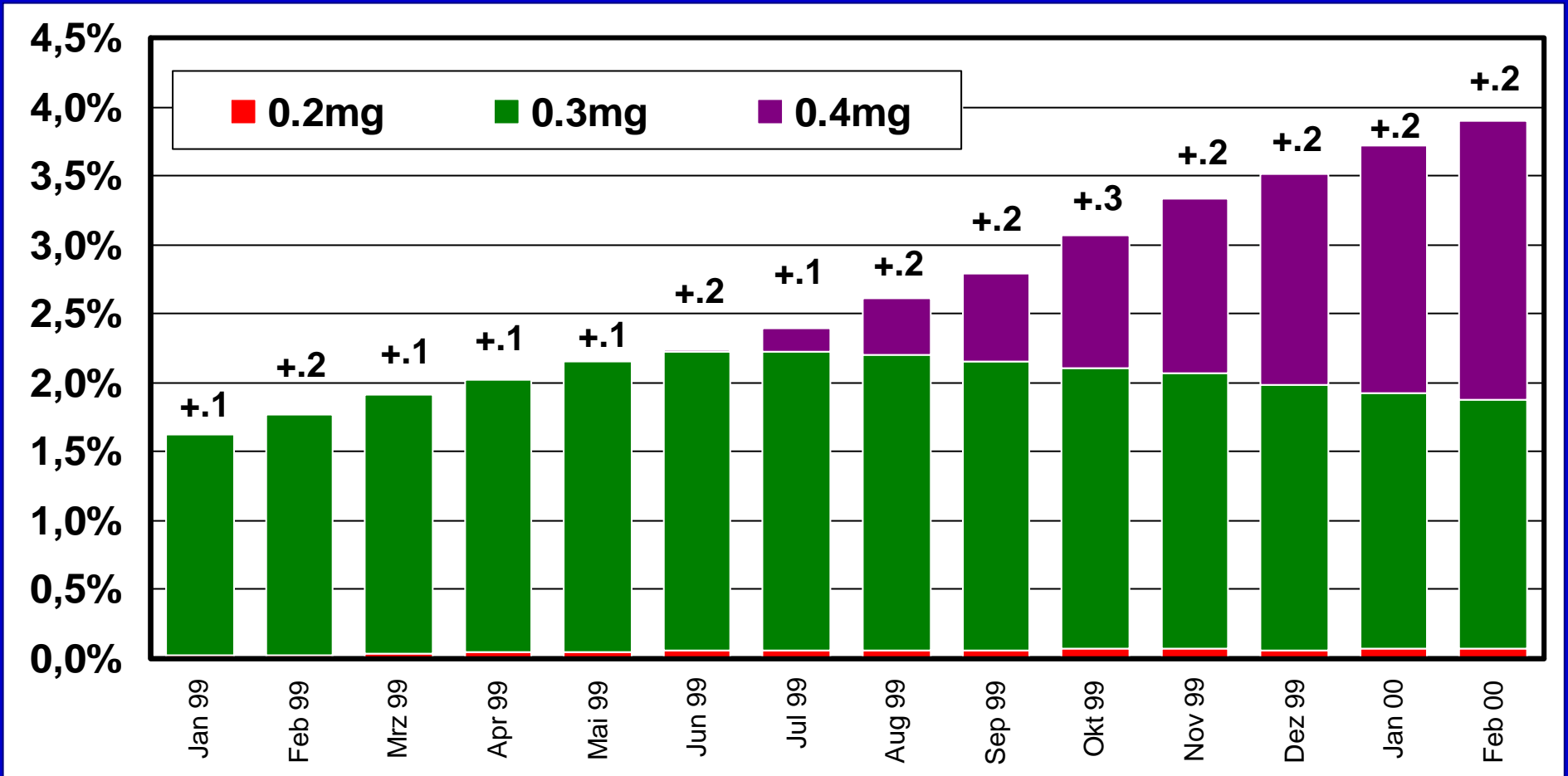


Japan: Takeda

Baycol / Lipobay: Partners add 50% to Bayer



Baycol US: Total Rx Market Shares Jan 1999 - Feb 2000



Baycol / Lipobay Life Cycle Management: Challenges

Full Development and Exploitation of Product Potential

By

- **Higher dosages:** Clinical equivalence to competitive products with 0.4mg and 0.8mg
- **Differentiation:**
 - Going beyond LDL-C reduction: Endothelial function, prevention of arteriosclerosis, plaque stabilization, Osteoporosis
 - ⊗ **Intervention studies:** Prevention of stroke in the elderly, myocardial infarction in diabetics, mortality in end stage renal disease, recurrent myocardial infarction

Other Major Product Developments

■ Kogenate

- ⊗ Production running smoothly
- ⊗ Kogenate FS in the approval process in the US, Canada, and EU; launches expected in 2000
- ⊗ Third generation in development; launches expected in 2004

■ ProMem / MemoBay

- ⊗ Development terminated due to significant additional requests for studies by FDA

■ Vardenafil (PDE V Inhibitor for Erectile Dysfunction)

- ⊗ Superior potency in PDE V inhibition and selectivity in PDEs 1 and 6
- ⊗ Excellent effectiveness in primary efficacy parameters
- ⊗ Low prevalence of adverse events
- ⊗ Phase III started, Launch expected in 2002
- ⊗ Will strengthen our presence in the US

Improve Profitability

Drive Key
Products

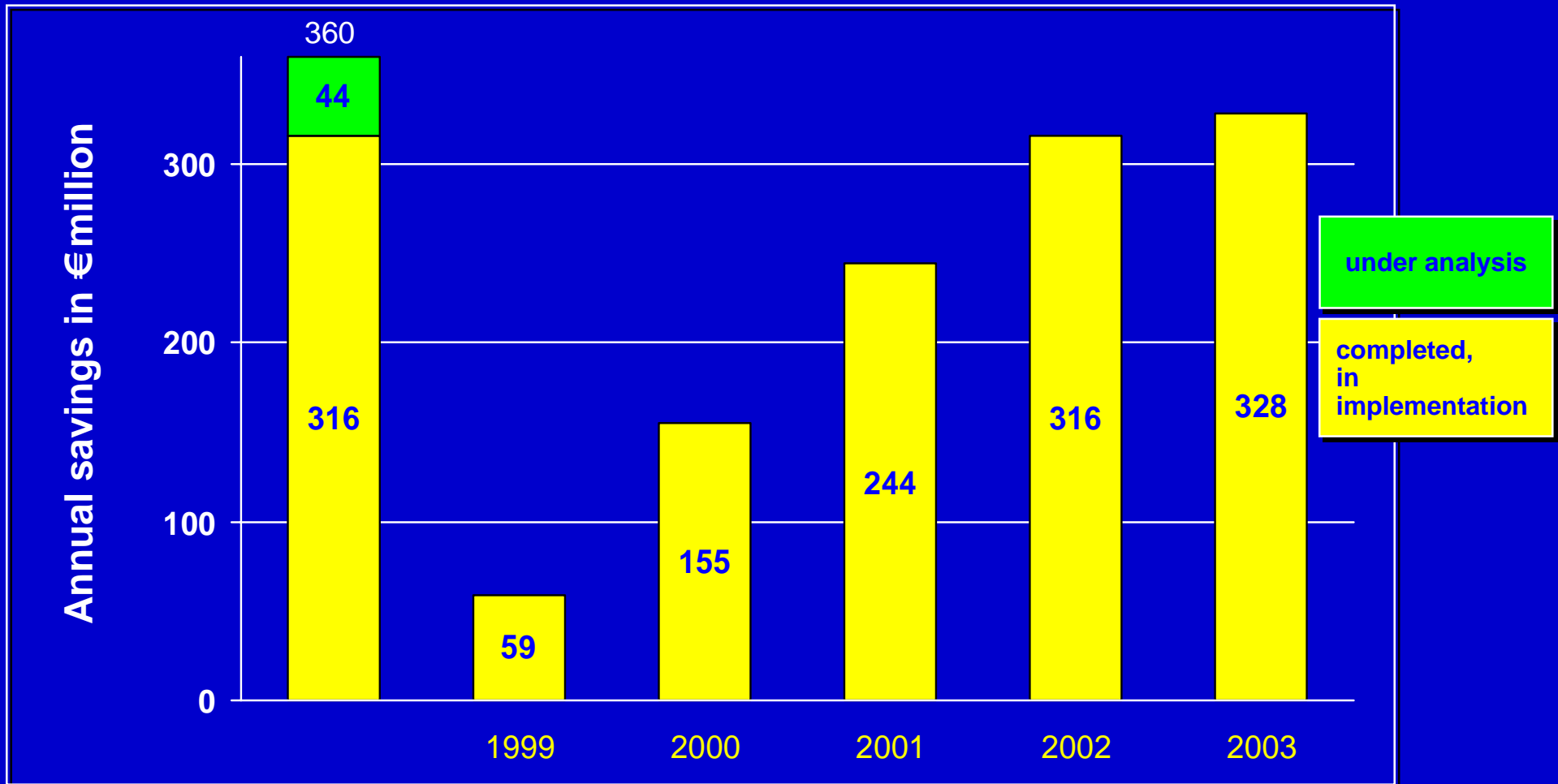
Increase
Efficiency

People
Communications
Culture



Build the Pipeline

Operational Excellence: Status of Restructuring March 2000



Operational Excellence: Major Projects

■ Research to Development Transition (R2DT)

- ⊗ Optimizing Pre-Clinical Development
- ⊗ Early Go / No Go - Decisions

■ Re-Directing Medical

- ⊗ Optimizing Skills, Resources, and Structures
- ⊗ Sourcing

■ Marketing & Sales Excellence

- ⊗ Optimizing Skills, Resources, and Structures

■ Operations

- ⊗ Worldwide Manufacturing Network
- ⊗ Reduction of Product Portfolio through Product Divestiture and Ceasation of Commercialization

Improve Profitability

Drive Key
Products

Increase
Efficiency

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Communications
Culture

Build the Pipeline

IDN 5109 In-Licensed from Indena

- IDN 5109 is a yew-based active substance for chemotherapeutic use in cancer
- The substance appears to be effective against certain therapy-resistant cancer types and can also be administered orally
- Initial evidence suggests that IDN 5109 may be also effective in the treatment of cerebral tumors
- The project is at the start of clinical development, earliest launch is expected for 2003
- Indena, located in Milan, Italy, is a family owned company specialized in extraction of plant based active substances for the pharmaceutical, cosmetic and food industries

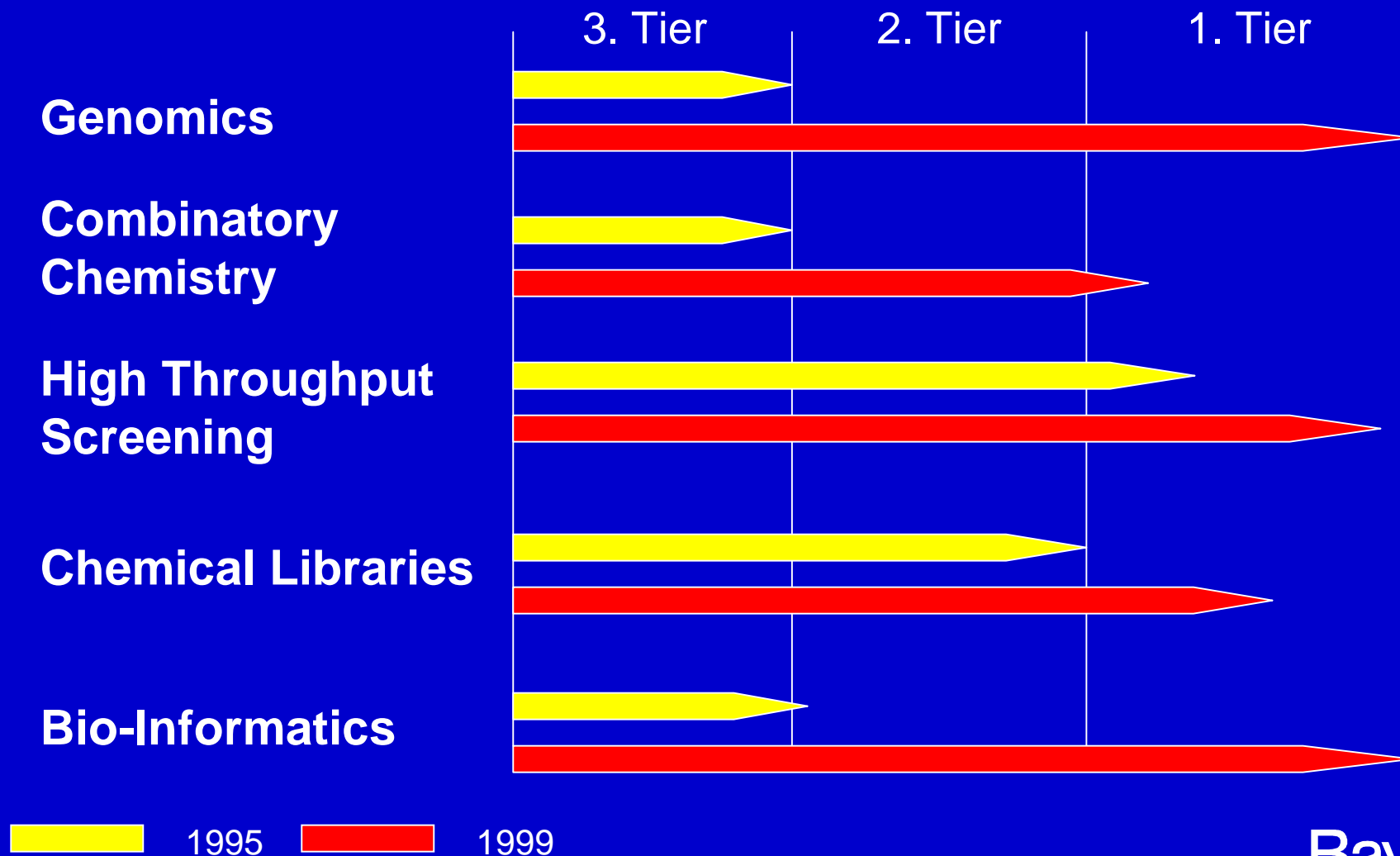
Major Cooperations to Increase R&D Productivity

1994	Onyx Axys	Cancer therapy Anti-inflammatory therapy
1995	Myriad	Genomics
1996	Pharmacopeia	Combinatorial chemistry
1997	Genome Therapeutics Genetics Institute Genzyme Corp.	Microbial genomes Protein library Chemical libraries
1998	Oxford Asymmetry Novalon Amphioxus Cell Technologies Receptron	Chemical libraries Assay technology Cell culture technologies Screening technology

Major Cooperations to Increase R&D Productivity *ctd.*

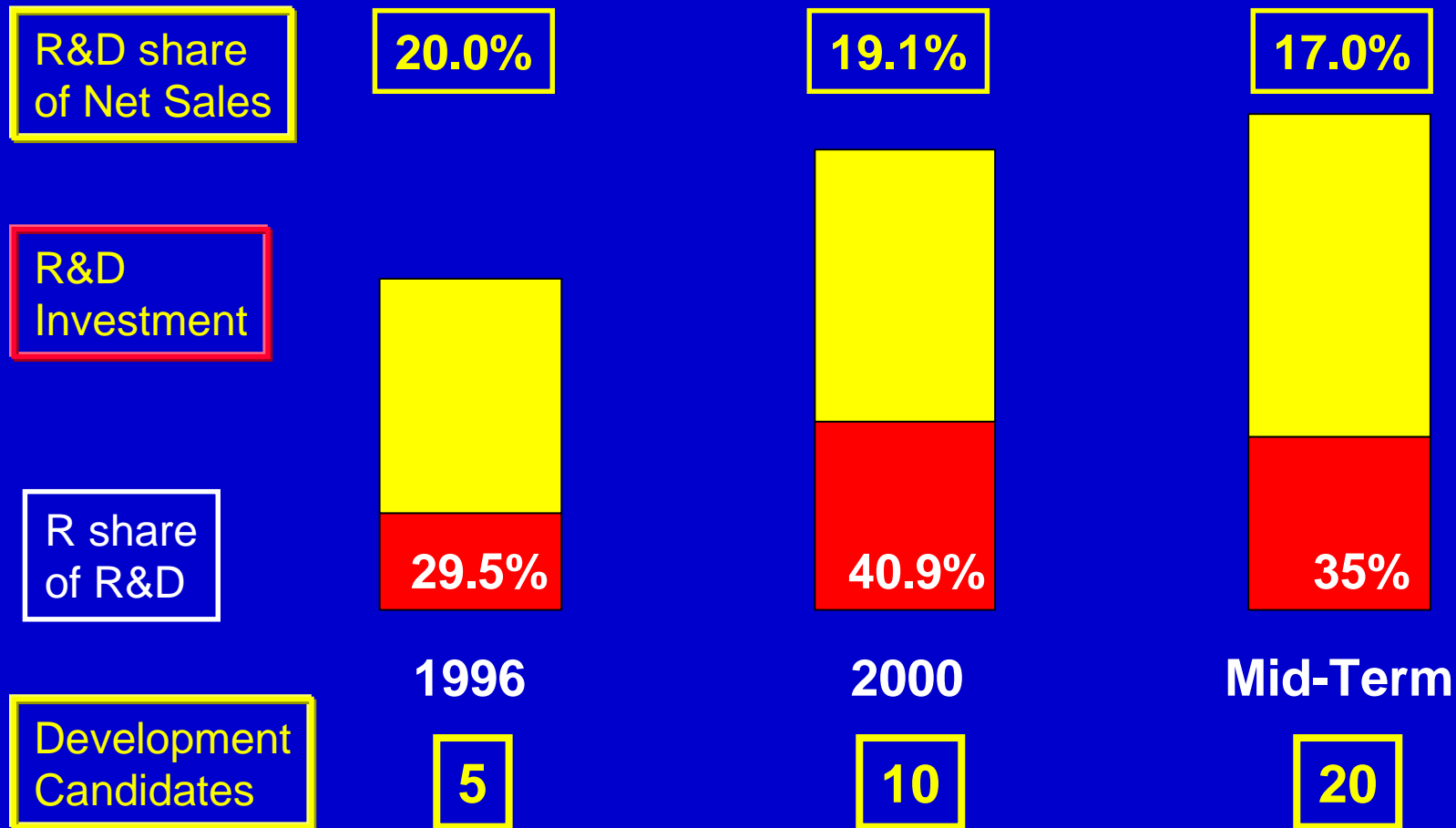
1998	NovaDX ComGenex Fuisz Technologies Abbott Alza Millennium	cDNA library Synthesis technology Formulation technology Formulation technology Formulation technology Enabling technologies
1999	Lion Bioscience ArQule Morphosys Cybio	Bioinformatics Substance library Target characterization Screening technology
2000	Incyte Oxford GlycoSciences	Bioinformatics Proteinomics

Top Tier Status in all Key Research Technologies achieved



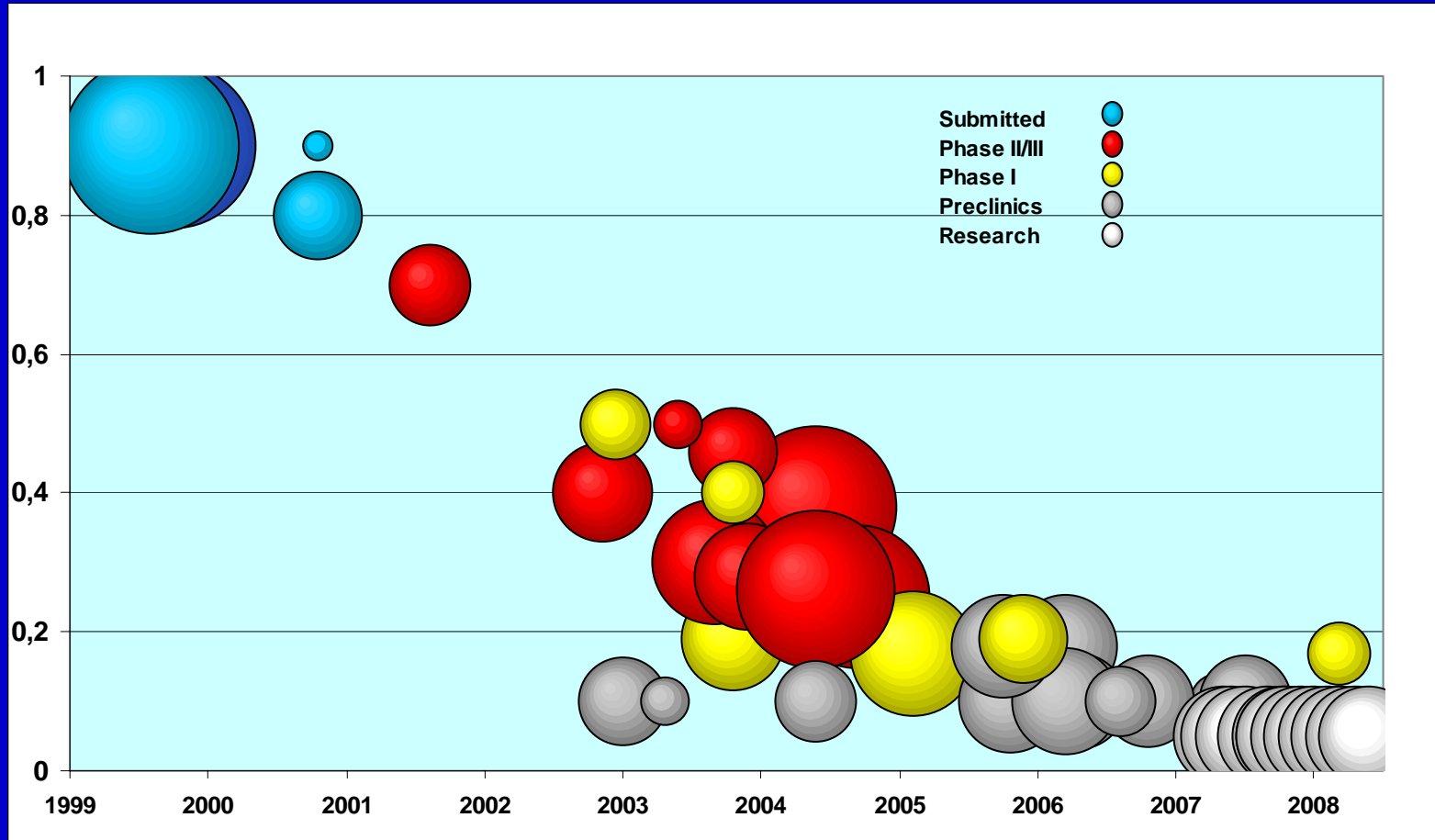
1995 1999

R&D Productivity Improvement



Commercial Value of R&D Pipeline

Probability of Technical Success



Bubble Size: Commercial Value

Year of Launch

NPV of Product Portfolio 2000/1999: + 15 %

■ Life Cycle Management of Marketed Products

⊗ Lipobay / Baycol 0.8mg, Cipro OD and pediatric use, Avelox IV

■ Development Projects Moving into later Stages

⊗ Vardenafil (PDE V Inhibitor), PDE IV Inhibitor

■ In-Licensing of Faropenem from Suntory

■ 10 New Development Candidates

Improve Profitability

Drive Key
Products

Increase
Efficiency

People
Communications
Culture



Build the Pipeline

People, Communications, and Culture

■ Share Options Program for Top and Middle Management

⊗ First and Second Line Management of the Business Group included

■ New Salary System for all Employees with stronger link to actual Performance

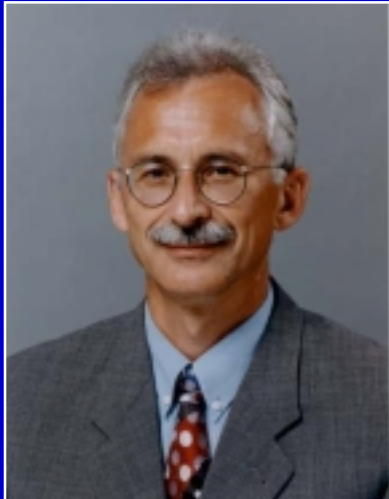
⊗ Smooth introduction with limited grandfather clauses

■ New Management

⊗ Wolfgang Plischke now heading Region North America

⊗ Anthony Wynn in charge for Region Japan

New Management in North America and Japan



Wolfgang Plischke

North America

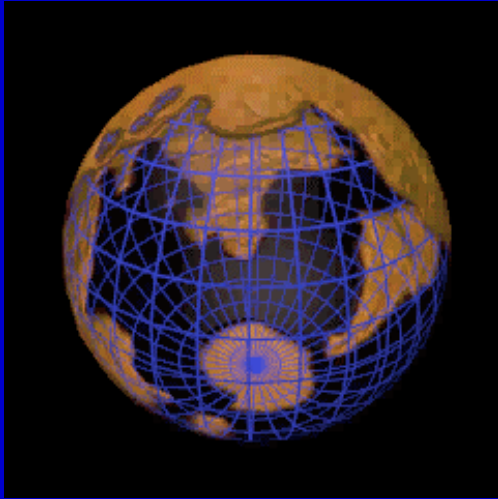
Born 1951, Stuttgart, Germany
PhD Biological Sciences
Joined Bayer in 1980 (Diagnostics)
Various Posts in PH Marketing and Sales in Germany and Worldwide
Previously Head of PH Region Japan



Anthony Wynn

Japan

Born 1954, London, England
PhD Biological Sciences
Joined Bayer in 1979 (Diagnostics)
Various Posts in DS Marketing and Sales in UK, US, and Worldwide
Previously Head of DS Region Japan



Business Performance 2000

Bayer Pharma 2000

Net Sales in €Million

862

Growth 2000/1999

+ 26 %

Growth 2000/1999 in LC

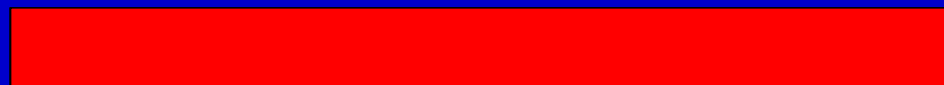
+ 13 %

Net Sales in €Million

1-2 / 2000

± 1999

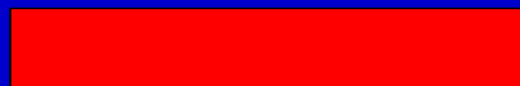
Cipro



290

+34%

Adalat



159

+12%

Lipobay / Baycol



81

+134%

Kogenate



56

+4%

Avelox



23

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Summary and Outlook

■ Sound Business Performance 1999

- Growth above Market, US Presence Increasing
- Major Achievements across all Functions
- **Successful start into 2000**

■ Profitable Growth in the Mid-Term

- Ongoing Focusing on Core Products and Countries
- Major Projects to Achieve Operational Excellence
- Restructuring to Improve Profitability

■ Long-Term Future

- Competitive Research Platform Established
- Alliances Deliver (First Development Project from Millennium)
- **Value of Portfolio Increased**

22 % in 2002

**Drive Key
Products**

**Increase
Efficiency**

**People
Communications
Culture**

Build the Pipeline