Bayer

Investor News

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Propelling growth across the value-chain from seed-to-shelf:

Bayer CropScience presents new four pillar growth strategy: Focus on portfolio conversion, value chain, BioScience and innovation

- Investment in BioScience research to double by 2015
- Accelerated portfolio conversion: Phase-out of WHO Class I products by end of 2012

Leverkusen, September 15, 2011 – Bayer CropScience today revealed a new four pillar strategy for future growth at the company's annual press conference in Monheim, Germany. Sandra E. Peterson, CEO of Bayer CropScience, outlined the company's commitment to drive business growth by focusing on four key objectives, including:

1.) Rejuvenate its core Crop Protection business

2.) Reinvent customer-centricity along the entire value chain (seed-to-shelf),

3.) Refocus its innovation through increased R&D investment

4.) Extend the company's BioScience business

"Our entire organization is relentlessly focused on meeting the rapidly changing needs of a planet hungry for agricultural resources," said Peterson. "We will continue to meet these needs only through our increased focus, improved efficiencies and accelerated innovation. Already, our efforts on these fronts are driving positive business results and momentum."

Rejuvenating the Crop Protection business

Bayer CropScience is currently restructuring its Crop Protection business – by phasing out older products, increasing its focus on key brand families, extending its geographic presence further into emerging markets and developing its supply chain operations to a position of industry leadership. As evidence, Peterson pointed to the introduction of the company's new cutting-edge cereal fungicide Xpro® family this year. "Xpro® is a good

example of how our chemical innovation and engineering expertise can be translated into improved efficacy and efficiency," said Peterson. The Xpro® family recorded over EUR 100 million in sales in Europe already in its first six months in the market in 2011.

Peterson also announced that the company is accelerating the phase-out of all remaining WHO class I insecticides. "By the end of 2012, Bayer CropScience will no longer have products with this classification anywhere in its portfolio," said Peterson. "This action, and others which we take on a daily basis, demonstrate our continuing commitment to sustainable agriculture." Chemicals within this category will be replaced by modern, targeted and more environmentally friendly substances.

Leveraging customer-centricity across the value chain

The company strives to leverage customer-centricity across the value chain to deliver solutions from seed-to-shelf. This involves increased grower orientation and improved channel management practices as well as state-of-the-art customer relationship tools, leveraging the trusted expertise of the Bayer brand and broadening its successful food chain partnership business model through cooperation with multinational food companies and retailers, Peterson explained.

"We are uniquely positioned to connect everyone along the value chain from seed-to-shelf to create sustainable programs that will make ongoing contributions that tackle the complexity in the industry and contribute towards feeding this hungry planet," said Peterson.

Refocusing innovation

The third pillar of the strategy is refocusing innovation, with an increasing emphasis on the BioScience business unit and new growth areas in agrochemical research. To better fuel future growth from innovation, the company intends to double the annual investment for research and development at its BioScience unit by 2015 (2010: about EUR 200 million). Total R&D budgets at Bayer CropScience are planned to rise some 20 percent to more than EUR 850 million by 2015, Peterson announced.

"With our in-depth knowledge of biology, genetics, biochemistry and life science chemistry, Bayer CropScience is well placed to innovate at the interface where chemistry converges with biology", she said. "We are pursuing holistic agronomy innovations", Peterson stressed.

Extending the BioScience business

The fourth pillar is the extension of the BioScience footprint in focused crops. “Over the past 10 years, we have demonstrated that we can establish global BioScience leadership positions in those markets in which we choose to compete,” said Peterson. Going forward, Bayer CropScience plans to further build its leading positions in cotton, oilseeds and vegetable seeds, areas where the company has outpaced the growth of the global seeds & traits market in 2010, and continues to do so in 2011. In addition, Bayer CropScience intends to build significant positions in soybeans, rice and wheat, which represent 3 out of the 4 global broad acre crops.

In soybeans, Bayer CropScience will establish a broad germplasm base, develop best-in-class breeding operations and a unique soy trait pipeline, Peterson said. In rice, the world’s second largest staple crop, the company continues to drive hybrid rice adoption in Asia and supports farmers in the region to grow “Much More Rice” through an agronomic program under this name. Wheat has also been designated a major strategic crop for Bayer CropScience, and the company is putting significant resources into research and development of new wheat varieties and traits. “When our global customers turned to us to find new ways to raise productivity of wheat cropping, we listened to them and built a world-class research platform for wheat genetics”, Peterson said, referring to a series of alliances and cooperations the company has agreed on with the best partners in the industry. The first new wheat varieties resulting from this initiative are expected to reach the market by 2015.

Propelling future growth

Peterson said that she sees many opportunities for Bayer CropScience to propel future growth. The fruits and vegetable segment offers particular good perspectives in this regard, she noted. The company plans to achieve sales of about EUR 3 billion with seeds, traits and crop protection solutions for fruits and vegetables by 2020, Peterson said.

Strong business development in H1, 2011

Commenting on the business development in the first six months of 2011, Peterson said she was pleased with the performance Bayer CropScience has shown. In the first half of the year, Bayer CropScience delivered record results with sales reaching EUR 4.2 billion. Adjusted for currency and portfolio effects, that is an 11 percent gain on last year. Despite

adverse weather conditions in important growing regions, the Bayer subgroup has seen a strong performance in both its Crop Protection and BioScience segments in key markets, due to increased focus, improved efficiencies and innovation. In Crop Protection the company realized a currency and portfolio-adjusted growth of 10 percent to EUR 3.24 billion. The BioScience business delivered a 25 percent sales increase to EUR 598 million. Sales at Environmental Science came in at EUR 364 million. On the earnings side, Bayer CropScience delivered a 34 percent increase in EBITDA before special items from a relatively weak EUR 911 million in the first half of 2010 to EUR 1.22 billion this year.

About Bayer CropScience

Bayer is a global enterprise with core competencies in the fields of health care, nutrition and high-tech materials. Bayer CropScience, a subgroup of Bayer AG with annual sales of EUR 6.830 billion (2010), is one of the world's leading innovative crop science companies in the areas of crop protection, non-agricultural pest control, seeds and traits. The company offers an outstanding range of products and extensive service backup for modern, sustainable agriculture and for non-agricultural applications. Bayer CropScience has a global workforce of 20,700 and is represented in more than 120 countries. This and further news is available at: www.press.bayercropscience.com.

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