150 Years
Science For A
Better Life

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Investor News

Dr. Marijn Dekkers at the Annual Stockholders' Meeting of Bayer AG:

"Bayer is a world-class innovation company"

- 2012 operationally a very successful year
- Highest sales in the company's 150-year history
- Proposal to raise dividend for 2012 to EUR 1.90 per share
- Employees to benefit from the company's success with bonuses totaling over EUR 700 million
- Life Sciences off to a good start in anniversary year

Leverkusen, April 26, 2013 – Last year was operationally very successful for the Bayer Group. "In 2012 we achieved the highest sales in our company's history," said Management Board Chairman Dr. Marijn Dekkers on Friday at the Annual Stockholders' Meeting in Cologne. All three subgroups achieved sales gains and raised underlying earnings. So that the stockholders benefit from this gratifying performance, the company proposes to pay a dividend for 2012 of EUR 1.90 (2011: EUR 1.65) per share, giving a payout of EUR 1.6 billion. The first quarter of 2013 was marked by the positive development of the Life Sciences businesses, Dekkers said, adding that Bayer is optimistic for the future. He underscored the tremendous innovation potential that has determined the company's success since it was founded 150 years ago: "Bayer has undergone a remarkable development – from the invention of synthetic dyestuffs to the treatment of cancer patients and products that improve the health of plants. Today, Bayer is a world-class innovation company."

On a currency- and portfolio-adjusted (Fx & portfolio adj.) basis, sales increased by more than 5 percent in 2012 to EUR 39.8 billion, Dekkers reported. Earnings before the financial result and taxes – in other words EBIT – declined by nearly 5 percent compared with 2011, to EUR 4 billion. This was mainly due to special items of EUR 1.7 billion,

mainly for restructuring and litigations. However, EBITDA before special items rose by nearly 9 percent to roughly EUR 8.3 billion, and core earnings per share increased by almost 11 percent to EUR 5.35.

Dekkers made special mention of the dynamic pace of growth in the Emerging Markets, where sales rose by more than 7 percent (Fx & portfolio adj.) overall in 2012, and also in the Life Sciences businesses. Sales in both HealthCare segments – Pharmaceuticals and Consumer Health – advanced by about 4 percent. EBITDA before special items of this subgroup grew by nearly 8 percent. CropScience was particularly successful for the second year in a row. Here, sales climbed by 12 percent (Fx & portfolio adj.), while underlying EBITDA rose by more than 21 percent. MaterialScience also contributed to Bayer's success last year. This subgroup raised sales by 3 percent (Fx & portfolio adj.) and EBITDA before special items by 7 percent.

"We were very successful with our innovations last year," continued Dekkers. He said the company was particularly pleased at the progress made with its pharmaceuticals pipeline, the five most promising products having a combined peak sales potential of over EUR 5.5 billion. One of these products is the anticoagulant Xarelto™, with which more than 4 million patients are estimated to have been treated since it was launched. Dekkers also drew attention to Bayer's success with innovations in the area of animal health. For CropScience, with its well-stocked development pipelines in both crop protection and seed technology, he predicted a combined peak sales potential of more than EUR 4 billion for new products with estimated launch dates between 2011 and 2016. The focus of Bayer's research at MaterialScience is on developing energy- and resource-efficient manufacturing processes and potential new applications for high-tech materials.

In addition, Bayer made further good progress last year with its strategy of systematically strengthening its existing businesses in the Life Sciences with bolt-on acquisitions. Examples cited by Dekkers included the acquisition of AgraQuest, which enables Bayer to build a leading technology platform for biological products at CropScience, and the purchase of the U.S. animal health business of Teva.

Gratifying start to the year in the Life Sciences

In the first quarter of 2013, sales of the Bayer Group rose by 3.7 percent (Fx & portfolio adj.) to EUR 10.3 billion. EBIT rose by a substantial 8.6 percent to EUR 1.8 billion, after special charges that amounted to EUR 45 million compared with EUR 169 million in the prior-year period. EBITDA before special items came in level with the prior-year quarter at EUR 2.5 billion. While both of the Life Sciences businesses – HealthCare and CropScience – contributed to this performance, earnings at MaterialScience posted a significant decline. Group net income rose by 11.5 percent to EUR 1.2 billion.

Dekkers expressed his confidence for the company's continuing development in its anniversary year and confirmed the Group outlook for 2013: "In the Bayer Group as a whole, we expect sales for the full year 2013 to increase by about 4 to 5 percent on an adjusted basis to approximately EUR 41 billion."

Strong performance by Bayer stock

The company's positive development is also reflected in the stock performance, said Dekkers. Bayer stock gained 50 percent in 2012 if the dividend is included – leaving all the relevant indices far behind. The DAX, for example, rose by only 29 percent last year. "Looking at the five years from 2008 through 2012, we considerably outperformed both the DAX and the Euro Stoxx 50. And there was a good annual yield of 5.9 percent including dividends," he continued. For the 10-year period from 2003 through 2012, the annual yield came to 17.6 percent. This strong performance has continued so far in 2013, with Bayer stock reaching historic highs of over EUR 80. Compared with the closing price at the end of 2012, Bayer stock had risen more than 12 percent by April 25, 2013. The DAX only rose by just under 2 percent over the same period.

Tremendous opportunities as an innovation company

Dekkers also said he is convinced of the company's long-term prospects: "Our portfolio reflects the existential global challenges at the beginning of the third millennium: population growth and demographic change, ecology and sustainability. These challenges can only be addressed through innovation. And that creates major opportunities for us as an innovation company."

In line with the company's mission – "Bayer: Science For A Better Life" – innovation means always generating value for customers and for society as a whole, said Dekkers. "We have created the foundation for this over many decades and developed a unique understanding of human, animal and plant health, and we also possess great expertise in high-quality materials." Bayer is steadily building on this foundation, Dekkers said. This year Bayer plans to increase its investment in research and development by some EUR 200 million to EUR 3.2 billion – the largest R&D budget of any company in the German chemical and pharmaceutical industry. Bayer employs nearly 13,000 researchers worldwide, whose work led to more than 600 patent applications last year alone.

As a world-class innovation company, Bayer benefits from a distinct innovation culture, Dekkers said: "Throughout the organization we have a common understanding of what is innovative. What's more, we know how to turn a scientific breakthrough into a commercial breakthrough." He said the company sets itself clear goals and priorities: "We are prepared to deploy the necessary resources for promising projects. But we also have the courage to quickly terminate projects if they fail to meet our expectations." Dekkers said the company also offers an environment in which young scientists can develop their careers.

"People with creative minds who are passionate about their work"

Innovation is not simply a matter of money, Dekkers pointed out. "Innovation can only take place if we have people with creative minds who are passionate about their work. Innovation demands curiosity, as well as the desire for change and continuous improvement. This in turn requires an inspirational environment that must be systematically created and nurtured."

It is therefore essential to have the right conditions for innovation, Dekkers said. "The most important condition of all is that society is open to new ideas and developments. We should not resign ourselves to a situation in which opportunities are ignored for fear of the risks." It is therefore important to promote scientific skills and openness toward new technologies, Dekkers remarked – saying this is a task that demands a commitment on everyone's part: in politics, in industry, and in schools and universities.

Employees to benefit financially from the company's success

Dekkers made special mention of the contribution made by the employees around the world. "They played a crucial role in our successful business development, and for that we would like to thank them most sincerely." He said the employees would therefore also benefit financially, with more than EUR 700 million to be paid out in employee bonuses under the Group-wide short-term incentive program alone.

Last year Bayer hired over 4,600 specialists and managers with academic qualifications throughout the Group, Dekkers continued. "And we are proud that Bayer is a very attractive employer for young and well-educated women around the world." Women accounted for 43 percent of all the university graduates hired by Bayer last year.

According to Dekkers, a diverse employee structure is crucial to the company's competitiveness. But diversity is not confined to gender balance, he added – it also means having an international workforce. Bayer is also pursuing this aim in the Emerging Markets of Asia and Latin America, where it intends to significantly increase the proportion of local managers in the medium term.

To implement its growth strategy, the company is counting on its employees and their continuing development, Dekkers added. For that reason, Bayer recently stepped up its employee training and management development programs. "Last year we invested more than EUR 180 million worldwide in vocational and further training." For example, more than 500 senior managers have already taken part in workshops to strengthen their individual innovation expertise. "After all, innovation doesn't just mean developing products, it also involves developing new business models, providing new services or improving processes," Dekkers said.

Change on the Board of Management of Bayer AG

Supervisory Board Chairman Werner Wenning honored the service of Labor Director Dr. Richard Pott, who will enter retirement at the end of May after 11 years on the Board of Management. "When I look back at the period from 2002 until now, those were economically very successful years for Bayer, but also a time of major structural change for the Bayer Group," said Wenning. Involving the employees in these changes was always of tremendous importance. "Because of your dependability and unpretentious

nature, the employees always saw you as a trustworthy representative of the company," said Wenning, thanking Pott for his many years of loyal service to Bayer.

Wenning then introduced Pott's successor, Michael König, who was appointed to the Board of Management of Bayer AG with effect from April 1, 2013, and will take over as Labor Director on June 1. He most recently served as head of Bayer MaterialScience's Polycarbonates business unit, based in Shanghai.

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