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

Bayer has great potential for the future too

- Fiscal 2011 was strategically and operationally successful
- Proposal to raise the dividend for 2011 to EUR 1.65 per share
- Encouraging start to 2012
- Good progress with the development of innovative products
- Werner Wenning to become Chairman of the Supervisory Board on October 1

Leverkusen, April 27, 2012 – 2011 was a good year for the Bayer Group both strategically and operationally. "Our business was very successful and we achieved our targets for the Group," said Management Board Chairman Dr. Marijn Dekkers at the Annual Stockholders' Meeting in Cologne, Germany, on Friday. The stockholders are to benefit from this success through an increased dividend of EUR 1.65 (2010: EUR 1.50) per share. This gives a total dividend payment of EUR 1.4 billion. Dekkers described the company's start to the 2012 fiscal year as encouraging. "Thanks to our innovative capability and our good position in the emerging markets, we have great potential for the future, too." Among the items on the agenda at this year's Annual Stockholders' Meeting is the election of the stockholders' representatives on the Supervisory Board. It is planned for the company's former Management Board Chairman, Werner Wenning, to take over as Chairman of the Supervisory Board on October 1, 2012.

Dekkers said that Bayer last year not only set a new sales record, but also increased its earning power. On a currency- and portfolio-adjusted (Fx & portfolio adj.) basis, sales increased by more than 5 percent to EUR 36.5 billion. The operating result (EBIT) climbed by 52 percent to more than EUR 4.1 billion. Here the company benefited from the EUR 0.8 billion decrease in special charges to about EUR 0.9 billion. Earnings before interest, taxes, depreciation and amortization (EBITDA) – before special items – rose by over 7 percent to more than EUR 7.6 billion. The underlying EBITDA margin thus moved forward from 20.2 percent in the previous year to 20.8 percent in 2011.

“A positive factor was that Bayer HealthCare improved its earnings and its margin,” Dekkers explained. He said the pharmaceuticals business benefited primarily from its good position in the emerging markets, another strength of this business being the well-stocked development pipeline. In December Bayer had raised its sales expectations for a number of advanced innovation projects in the pharmaceuticals business. “We now consider that four of our medicines in late-stage development have the potential to become blockbusters. That means each of these products could achieve peak annual sales of EUR 1 billion or more,” said Dekkers. This applies particularly to the anticoagulant Xarelto™, which he said could reach peak sales of more than EUR 2 billion across all indications. Xarelto™, the eye medicine VEGF Trap-Eye and the two cancer drugs Alpharadin and regorafenib have a total peak sales potential of around EUR 5 billion.

Dekkers reported that the Consumer Health business also developed successfully in 2011, partly due to the good reputation of the world-class Bayer brand. On the other hand, the health system reforms in numerous countries and the competitive pressure created by generic products proved to be a considerable burden for HealthCare, he explained.

The Bayer CEO said CropScience benefited from its new products and a favorable environment for agricultural commodities. The significantly higher volumes showed that the subgroup has made progress toward the goal of better commercializing its innovative products, the Bayer Chairman stressed.

“MaterialScience, however, remained below our expectations in 2011,” Dekkers commented. He said that although the subgroup increased sales and raised selling prices in all business units and regions, there was hardly any overall volume increase. It was also unable to pass on the high raw material costs in full to its customers.

A positive aspect Dekkers mentioned was that Bayer made good progress with one of its most important objectives – the expansion of business in the emerging markets. He said the company raised sales in these countries overall by 9 percent (Fx adj.). Net income climbed by nearly 90 percent in 2011 to EUR 2.5 billion, while net financial debt declined by EUR 0.9 billion to EUR 7 billion.

“Our workforce – from the Executive Council to our many colleagues throughout the world – played a crucial role in this success. And I would therefore like to thank them all most sincerely for their work,” said Dekkers. He said it was not only the stockholders who would benefit from the good development in 2011, with more than EUR 600 million earmarked for bonus awards to employees under the Group-wide short-term incentive program alone.

Encouraging start to the 2012 fiscal year

Dekkers was also satisfied with the company’s performance in the first quarter of this year: “We had an encouraging start to the year. The trends we experienced in 2011 largely continued.” Sales in the first three months rose by more than 5 percent (Fx & portfolio adj.) to EUR 10.1 billion. EBIT moved substantially higher, climbing by nearly 43 percent to EUR 1.6 billion after special charges of about EUR 170 million (Q1 2011: more than EUR 400 million). EBITDA before special items improved by over 9 percent to EUR 2.4 billion, driven by the positive development at HealthCare and CropScience. Net income climbed by about 54 percent to EUR 1.1 billion.

Attractive annual yield on Bayer stock

Bayer shares declined by only 8 percent in 2011, clearly outperforming the lead index DAX, which fell by 15 percent. Dekkers particularly emphasized the long-term strength of Bayer stock: “If you look at the five years since 2007, we outperformed all the relevant indices. And including the dividend, we see that there was a good annual yield of about 7 percent.”

Building on Bayer’s position as a world-class innovative company

“We work very hard every day to build on our position as a world-class inventor company that improves the lives of many people with its innovative products and solutions,” said Dekkers. He said the company’s mission “Bayer: Science For A Better Life” sums up what Bayer stands for. The global population is predicted to grow from 7 billion now to 9 billion by 2050, Dekkers explained. People are living longer and longer – and affluence is increasing in the emerging markets. For Bayer this means that even more innovative health care products will be needed, and the global demand for food will rise. “We are addressing these trends with our research-intensive life science businesses HealthCare

and CropScience.” The need for innovative materials and resource efficiency is also more acute than ever before, Dekkers said, this being where Bayer MaterialScience comes in.

“It makes me very happy – and indeed proud – to see the progress we are making and how our products can help people in very specific ways.” The new anticoagulant Xarelto™, he said, can help to prevent strokes, which means many people and their families will be spared this fate. And the new active substance VEGF Trap-Eye is used to treat wet age-related macular degeneration and can save patients from blindness.

Dekkers explained that the new fungicide Xpro™ from Bayer CropScience enabled the production of an additional 500,000 tons of cereals in Germany last year alone. ”To transport this additional yield, you would need a train with 20,000 freight cars, which would stretch from Leverkusen to Frankfurt,” he said by way of illustration.

Dekkers explained that the high-tech materials from MaterialScience also bring many benefits. When used to insulate buildings, for example, polyurethane helps to reduce the amount of energy needed for heating or cooling – and this in turn contributes to reducing carbon dioxide (CO_2) emissions. Bayer supplies the construction industry with some 450,000 tons of polyurethane raw materials each year. “This amount could be used to insulate some 300,000 homes. The heating oil saved as a result would fill 45,000 tanker trucks. And 2.5 million tons of CO_2 emissions would be prevented. This is good for the environment – and it is good for homeowners’ pocketbooks,” said Dekkers.

But to continually develop and commercialize such innovative products also requires substantial investment, Dekkers pointed out. Together with partner Johnson & Johnson, Bayer has spent some EUR 2 billion on research and development for Xarelto™ alone. Research and development spending at Bayer totaled about EUR 3 billion in each of the past two years. And the company has an equally large budget for the current year. “These are substantial amounts of money. And that’s also the reason why recognition and adequate remuneration for our innovations are so important to us, particularly in the pharmaceuticals area,” said Dekkers.

“Revenues from today’s medicines finance tomorrow’s innovative drugs”

The Bayer Chairman said the current debate over pharmaceutical prices involves some difficult issues, such as whether it is possible, or even desirable, to put a value on extending lives. “For me, there is no doubt that the research-based pharmaceutical industry in particular has achieved a great deal. For example, average life expectancy has risen by about four years during the past 20 years – which surely is partly due to the new medicines.” Cost savings are another positive effect, Dekkers added. That is because treatment options for many widespread diseases, such as diabetes, are steadily improving, and this in turn avoids expensive hospitalization or the need for nursing care.

“Of course, we also understand that health service costs have to be kept under control. And we are prepared to contribute to the development of cost-effective solutions. But it’s important to keep a sense of proportion,” Dekkers continued. He said a fundamental problem seems to be society’s general lack of appreciation for innovations. Many patients often don’t know which company developed and manufactured the medicine used to treat them, he said, although it was that company that at great risk invested the substantial amount of time and resources necessary to enable the doctor to help the patient at all. Dekkers said people need to be clear about the fact that “The revenues from today’s medicines finance tomorrow’s innovative drugs.” These are things that must be explained more often and more clearly so that society accepts innovations and acknowledges their value, he said. “Otherwise there is a risk that, in the medium term, we as a society will squander our tremendous innovation potential,” he warned.

Elections to the Supervisory Board

The term of office of the members of the Supervisory Board expires at the end of the Annual Stockholders’ Meeting, and elections must therefore be held. The Supervisory Board is proposing that Werner Wenning succeed Dr. Manfred Schneider as its Chairman as of October 1, 2012. Specifically, it is proposed that Schneider remain a member of the Supervisory Board and its Chairman until September 30, 2012, and then be succeeded by Wenning, who would join the Supervisory Board when Schneider steps down and become its Chairman for the remainder of the term until 2017. The Chairman is not directly elected by the Annual Stockholders’ Meeting but by the members of the Supervisory Board.

Wenning (65) was Chairman of the Board of Management of Bayer AG from April 2002 until September 30, 2010. The statutory “cooling-off period,” after which former members of a company’s board of management may join its supervisory board, ends after two years.

Also nominated for election to the Supervisory Board as new stockholder representatives are Sue H. Rataj (55), member of the Board of Directors of U.S. chemicals company Cabot Corporation, and Thomas Ebeling (53), Chief Executive Officer of ProSiebenSat.1 Media AG. The following current members of the Supervisory Board are standing for re-election: Dr. Paul Achleitner, Dr. Clemens Börsig, Dr. Klaus Kleinfeld, Dr. Helmut Panke and Dr. Klaus Sturany. In addition it is proposed that Professor Ekkehard D. Schulz and Professor Ernst-Ludwig Winnacker be re-elected to serve until the Annual Stockholders’ Meeting in 2014. The candidates will be elected individually by the Annual Stockholders’ Meeting.

The ten employee representatives were already elected by their respective committees on February 7, 2012. The following employee representatives will begin their term of office at the end of the Annual Stockholders’ Meeting: Thomas de Win, Dr. Thomas Fischer, Peter Hausmann, Reiner Hoffmann, Yüksel Karaaslan, Petra Kronen, Petra Reinbold-Knape, Michael Schmidt-Kiessling, André van Broich and Oliver Zühlke. It is intended that de Win be re-elected as Vice Chairman of the Supervisory Board.

Board of Management and Supervisory Board honor the achievements of Dr. Manfred Schneider

This is Schneider’s final Annual Stockholders’ Meeting as Chairman of the Supervisory Board and therefore the last meeting that he will preside over. Dr. Paul Achleitner, member of the Board of Management of Allianz SE and a member of the Presidial Committee of the Bayer Supervisory Board, honored Dr. Schneider’s service during his 46-year career at Bayer – of which he served for five years as a member of the Board of Management, ten years as Chairman of the Board of Management and a further ten years as Chairman of the Supervisory Board. “Dr. Schneider was the right man in the right place at the right time,” Achleitner said. “It is in large part due to Manfred Schneider that Bayer today can present itself as a continually successful company.” Dekkers also thanked Dr. Schneider personally and on behalf of all Bayer employees: “I have found your cooperation to be extremely professional, highly constructive and based on trust.

And so I'm pleased that we will continue working together for a few more months following today's Annual Stockholders' Meeting."

New fixed compensation in light of the Supervisory Board's oversight function

The Annual Stockholders' Meeting will also be asked to vote on the introduction of a new compensation system for the members of the Supervisory Board. It is proposed that each member receive only fixed annual compensation of EUR 120,000 plus additional compensation for committee membership. The Chairman of the Supervisory Board would receive fixed compensation of EUR 360,000 annually, the Vice Chairman EUR 240,000. It is planned that members of the Supervisory Board will make a voluntary pledge to purchase Bayer shares to the value of one quarter of their compensation in order to enhance their interest in the company's long-term success. This voluntary pledge will only apply to members who are not obligated to transfer their compensation elsewhere. The switch to this new compensation system is intended to emphasize the oversight function of the Supervisory Board, which has to be performed irrespective of the company's short-term success. Currently, the respective provision of the Articles of Incorporation provides for the payment of variable compensation – based on the gross cash flow of the Bayer Group – in addition to fixed compensation.

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