Bayer

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Werner Wenning at the Bayer AG Annual Stockholders' Meeting

"2007 was Bayer's most successful year to date"

- Previous year's record levels and earnings targets exceeded
- Dividend to be raised 35 percent to EUR 1.35
- Good start to fiscal 2008
- Bayer Climate Program being implemented and expanded

Leverkusen, April 25, 2008 – "2007 was Bayer's most successful year to date," said Werner Wenning, Chairman of the Board of Management of Bayer AG, at the company's Annual Stockholders' Meeting in Cologne. According to the Bayer CEO, the company's operating performance exceeded both the previous year's record levels and the earnings targets that had been set. It is intended that the stockholders will also benefit from this performance: the proposed dividend of EUR 1.35 per share would result in a total payout of more than EUR 1 billion. Wenning said Bayer was also off to an excellent start in 2008: "In the first quarter of 2008, we achieved another year-on-year increase in the underlying operating result – the 21st in a row."

In his comments on fiscal 2007, Wenning reported on Group sales of more than EUR 32 billion – representing a currency- and portfolio-adjusted 6 percent increase over the prior year. EBITDA before special items rose by an even more substantial 21 percent to EUR 6.8 billion, while underlying EBIT grew by 23 percent to EUR 4.3 billion. This resulted in net income of EUR 4.7 billion, bolstered by divestiture proceeds. "These achievements are the result of the outstanding dedication displayed by all 106,000 Bayer employees worldwide. We can be very proud of them," said the Bayer Chairman.

Bayer clearly remains on the right track, as evidenced by its performance in the first quarter. The company carried over into 2008 last year's positive trend for both sales (up a currency- and portfolio-adjusted 7 percent to EUR 8.5 billion) and EBITDA before special items (up 10 percent to EUR 2.2 billion). Underlying EBIT advanced by 9 percent to EUR

1.5 billion. Since the beginning of 2003, Bayer has posted steady year-on-year increases in quarterly earnings before special items – in other words its underlying operating performance. The company continues to target about 5 percent currency-adjusted growth for the full year, Wenning confirmed, adding that an increase in EBITDA before special items and a further improvement in the underlying EBITDA margin are also planned.

Wenning said the company will be paying out a total of approximately EUR 490 million to its employees worldwide to enable them to share in the company's success in 2007. This corresponds to an average of more than one month's salary for Bayer's payscale employees in Germany alone, in addition to the increase in their fixed salaries. The rise in total remuneration in recent years has considerably outpaced inflation, Wenning remarked, adding that the employees have also benefited from stock participation programs for a number of years. "In this way we are continuing our policy of enabling our employees to participate appropriately in the development of our company and in our capital growth. That too is an expression of our social responsibility."

The Management Board Chairman also talked about the debate surrounding the development of German society. "Industry executives, politicians and the so-called opinion leaders are regarded as role models, and that is something they have to live up to," he said. According to the Bayer CEO, the current debate is polarizing the issue of social cohesion in a way that is not good for German society. "I firmly believe that we should not call into question our social market economy – a system that has proven effective," stressed Wenning. He said managers are dependent on people's confidence in their integrity and leadership abilities in order to exercise their very important role in society: the task of aligning and leading companies so that companies can achieve sustained growth and earn respectable profits. After all, this is an important basis for safeguarding jobs and creating new ones, commented Wenning.

In this connection, successful corporate strategy may also involve changes and upheavals, as the dynamic change processes taking place in the globalized economy also affect the situation in Germany. Wenning explained that Bayer, too, experienced such change processes, especially in recent years, and the company mastered the challenge. The Bayer Chairman said it was important to him that the company had worked together with the employees' representatives in an effort to take the necessary action in a socially responsible manner.

“We are well aware that acceptance of a company and its actions by society forms an important part of the basis for lasting success. Yet it is not always easy to reach a productive consensus of different opinions,” Wenning said, adding that this is also true of the company’s plan to build a carbon monoxide pipeline between its sites at Dormagen and Krefeld-Uerdingen. He explained that this project has met with a lack of understanding and caused concern among Bayer’s neighbors. “The public-interest aspect of this project is the subject of an ongoing evaluation which we know is supported by the state government. After that, we expect that the parties and fractions in the state parliament will examine the project again. The parliamentary vote will then point the way to our future course of action.”

Wenning described the basic attitude to investment at Germany’s industrial sites as a crucial issue, citing local opposition to the planned construction of a new coal-fired power plant by the company Trianel at the Krefeld-Uerdingen site. He said that a modern, competitive infrastructure is essential: “Without secure supplies – whether of raw materials or energy, for example – a site like Uerdingen has difficulty competing in the international arena. We will therefore have to draw even greater attention to these issues and work together with the political community to ensure stable conditions for investment,” stressed the Bayer CEO.

In 2008 Bayer plans to invest about EUR 4.5 billion for the future, with research and development accounting for EUR 2.8 billion and property, plant and equipment for EUR 1.7 billion. “I am firmly convinced that innovation and growth are the key success factors in our globalized world,” Wenning said. To achieve this, Bayer continues to require well trained, qualified and motivated employees, he explained, adding that the situation on the employment market, particularly in Germany, is taking a critical turn. There is already a lack of good technical personnel and highly qualified academics in core disciplines, he said.

“Germany will only be able to assert itself as an industrial base in the global arena if government, society and industry invest in education and training. Equal opportunity in education is a cornerstone of our social market economy,” said Wenning. He said that this year again, Bayer will offer vocational training opportunities to more than 800 young people and hire about 250 university graduates since here, too, Bayer takes its social responsibility as an employer very seriously.

In connection with global challenges such as the consequences of climate change, the Bayer CEO emphasized that the company will rigorously implement its Climate Program and continue to expand it in the future: “After all, it is also fundamentally important that the company live up to its role as a responsible corporate citizen.”

With exhibits, publications and the first showing of a film at the Annual Stockholders’ Meeting in Cologne, Bayer is informing its stockholders about the “Bayer Climate Program” launched at the end of 2007. The company’s efforts to further reduce CO_2 include initial projects in production, the construction of commercial buildings and agriculture, and other activities forming part of Bayer’s integrated Group-wide Climate Program.

“With the ‘Bayer Climate Program’ we want to live up to our responsibility regarding the major challenge that climate change presents to society,” Wenning explained, remarking that this social responsibility can go hand in hand with the company’s economic achievements. “We want to continue growing, and this includes creating innovative products for efficient climate protection and dealing with climate change.” He said Bayer plans to spend EUR 1 billion on climate-relevant research, development and projects between 2008 and 2010.

This year once again, the stockholders will vote on the authorization of Bayer’s management to acquire and sell company shares. This authorization is limited to a period of 18 months and a maximum volume of 10 percent of the capital stock. Among the purposes of the authorization is to service the company’s various employee stock programs. The new authorization replaces a similar one granted in the previous year.

Also on the agenda are two precautionary authorizations to issue warrant or convertible bonds, profit sharing rights or profit participation bonds and to create the necessary condition capital. The total nominal amount of both authorizations is limited to EUR 6 billion and the potential increase in the capital stock to about EUR 196 million in each case. The purpose of these resolutions is to expand the company’s financing options to include flexible tools that can be used in a timely manner – particularly in the event of favorable capital market conditions.

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