



## Investor News

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### CEO Werner Wenning at the Annual Stockholders' Meeting of Bayer AG:

#### **“We plan to grow again”**

- 2009 operationally a strong year in a difficult environment
  - Bayer stock performance in 2009: plus 40 percent
  - Proposal to pay an unchanged dividend of EUR 1.40 per share for 2009
  - Strong gains in sales and earnings in the first quarter of 2010
  - Personnel changes on the Board of Management and the Supervisory Board
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**Leverkusen, April 30, 2010** – 2009 was operationally one of the most successful years for the Bayer Group in a difficult environment. “Today we are benefiting from the work we have done in recent years to align the enterprise toward innovation and growth and give it a competitive structure,” said Werner Wenning, Chairman of the Board of Management, on Friday at the Annual Stockholders' Meeting in Cologne. The stockholders are to benefit from the company's success with a stable dividend of EUR 1.40 per share. This corresponds to a total dividend payment of just under EUR 1.2 billion. Bayer achieved strong sales and earnings gains in the first quarter of 2010 thanks to a marked recovery by MaterialScience. The company had raised its earnings forecast for 2010 the day before. “Bayer is a strong company, and we are confident about the future,” said the Management Board Chairman.

Wenning began his address with a summary of recent business trends. The Bayer Group achieved strong gains in sales and earnings in the first quarter of 2010. “We plan to grow again this year,” Wenning stressed. MaterialScience showed a marked recovery in an increasingly stable market environment, posting a larger-than-expected sales increase compared to the very weak prior-year quarter. While HealthCare posted a slight improvement in sales and earnings, the CropScience business weakened considerably compared to the record level of the prior-year period. This was primarily attributable to the delayed start to the season caused by the weather. Sales of the Bayer Group climbed by 5.3 percent in the first quarter, to EUR 8.3 billion (Q1 2009: EUR 7.9 billion). Adjusted for currency and portfolio effects, business was up by 6.2 percent. EBITDA before special

items climbed by 13.2 percent to EUR 1.9 billion (Q1 2009: EUR 1.7 billion). Net income climbed by 63.1 percent to EUR 0.7 billion (Q1 2009: EUR 0.4 billion), while core earnings per share improved by 31.9 percent to EUR 1.20 (Q1 2009: EUR 0.91).

In his review of the past year, Wenning said 2009 had been dominated by the financial and economic crisis: "Sales and earnings declined last year despite our best efforts. Yet we were successful even in this difficult environment." The Bayer Group achieved the third-highest EBITDA before special items in its history, Wenning explained. In addition, net cash flow – to which Bayer had paid special attention – climbed by 49 percent to a new high. "One of our core objectives was to achieve a further significant reduction in net financial debt. We exceeded our target in this respect," the Bayer Chairman remarked. "These achievements are the result of the outstanding dedication displayed by our employees around the world," he stressed, before thanking Bayer's workforce for their hard work on behalf of the stockholders.

Group sales declined in 2009 by 5.3 percent to EUR 31.2 billion (2008: EUR 32.9 billion). The currency- and portfolio-adjusted (Fx & portfolio adj.) decrease was 5.7 percent. While sales of HealthCare and CropScience continued to grow to record levels, business at MaterialScience was down sharply due to the economy. EBITDA before special items of the Bayer Group was down 6.6 percent to EUR 6.5 billion (2008: EUR 6.9 billion). Currency effects diminished earnings by 2 percentage points, or approximately EUR 140 million. "We thus practically achieved our ambitious goal of limiting the decline in earnings against the record 2008 level to about 5 percent," Wenning said. Net income declined to EUR 1.4 billion (2008: EUR 1.7 billion), and core earnings per share came in at EUR 3.64 (2008: EUR 4.17).

Once again, Bayer's approximately 108,000 employees worldwide are benefiting from last year's robust business performance. Over EUR 460 million in variable bonus payments were made to the company's employees for 2009 under the Group-wide program alone. This figure is comparable to the amounts paid out in prior years.

### **Bayer stock performed strongly in 2009**

Bayer's success was also reflected in the price of the company's shares. The performance came to 40 percent in 2009 alone, taking both the stock price and the dividend into account. Over the past five years – since 2005 – Bayer shares have

appreciated by an average of 22 percent a year. In both periods the stock greatly outperformed the DAX and EuroSTOXX 50 indices. At the end of 2009, Bayer was the third-largest company in the German stock index DAX, with a market capitalization of EUR 46 billion. "That, too, is an all-time record for Bayer," Wenning commented.

### **Confident about future development**

Bayer remains confident about the Group's development going forward. Wenning said this confidence is based on three aspects: the company's strategic alignment, its innovative capability and its corporate culture, which is imbued with the sustainability principle. He described further investment in the emerging economies as a strategic focus for the future, explaining that the so-called BRIC countries – Brazil, Russia, India and China – already account for nearly 14 percent of Group sales. "We will continue to target faster-than-average growth there in the future," said the Bayer CEO.

In addition to exploiting geographical growth markets, Bayer is also focusing on innovation, he stressed. Said Wenning: "Innovative capability is the deciding factor in the global arena." He described innovation as the only way to generate the growth that is essential for the lasting success of the company. He said the company is therefore investing more this year than ever before in research and development – the budget for 2010 is EUR 2.9 billion.

Innovation not only contributes to the company's commercial success – it is also an integral part of Bayer's sustainable development efforts, Wenning said. "At the core of the sustainability principle is the need to align our current behavior so as not to restrict the options available to future generations," he explained. Wenning said Bayer contributes to this through its climate program, the reduction of greenhouse gas emissions, its efforts to achieve sustainable health care and its innovative solutions for increasing the supply of high-quality food. Another example in this context is Bayer's activities in the areas of education, science and social needs. For instance, the Bayer Science & Education Foundation supports innovative school projects in Germany that make science lessons more attractive to children. The company's social commitment comprises a total of 300 projects worldwide. Addressing the stockholders, the Bayer CEO said: "As you can see, sustainability forms an integral part of Bayer's corporate culture."

## **Criticism of government plans for health care reform**

Wenning also raised the subject of the German government's plans for reforming the country's health care system. The Bayer CEO emphasized the need for a fundamental reform that will give Germany a viable health care system for the future, but pointed out that this can only be achieved by a market-based approach that allows greater competition on all levels. "Our common goal must be to continue ensuring a high standard of care and direct access by all patients to innovative pharmaceuticals," Wenning remarked.

Yet instead of acting to encourage competition and reduce the excessive amount of regulation, the coalition is focusing on short-term interventionist measures, he warned. "Such measures make companies less able to innovate and less willing to do so here in Germany – and this ultimately works to the disadvantage of patients," said the Bayer Chairman.

Wenning pointed out that life expectancy in Germany rose by five years between 1980 and 2005 – thanks in part to medical advances. Yet there is much more to be done, as only one third of all diseases today can be successfully treated with medicines, he explained. "The research-based pharmaceutical companies have the capability and the will to continue developing innovative medicines. And I'm sure you agree with me that the politicians should encourage us to do so," Wenning said to the stockholders.

## **Board of Management compensation system to place greater emphasis on long-term success**

On the agenda for the first time, apart from the ratification of the actions of the Board of Management and Supervisory Board and the renewal of capital increase authorizations, is the topical theme of management board compensation. Bayer stockholders will be asked to approve the modification of components of the Board of Management's compensation decided on by the Supervisory Board. The long-term portion of variable compensation is to be increased, the term of the long-term incentive plan (LTI) extended and the required personal investment in Bayer shares raised. "Bayer already had a balanced and frequently praised compensation system for the Board of Management. This further development of the system gives us an exemplary compensation structure and satisfies the new regulations," explained Dr. Manfred Schneider, Chairman of the

Supervisory Board of Bayer AG, ahead of the Annual Stockholders' Meeting. The level of overall compensation and the basic system will not change. The changes are already to apply from 2010.

### **Personnel changes on the Board of Management and the Supervisory Board**

This is the last Annual Stockholders' Meeting for Werner Wenning and Klaus Kühn in their capacities as Bayer CEO and CFO, respectively. While Wenning will hand over the chairmanship of the Board of Management to Dr. Marijn Dekkers effective October 1, 2010, Kühn will leave the Board of Management at the end of the Annual Stockholders' Meeting. Werner Baumann takes over as Chief Financial Officer effective May 1.

Schneider and Wenning took the opportunity to thank Kühn for his great commitment. "Mr. Kühn has played an essential role in the restructuring of our company – and he has also done an excellent job as CFO," Wenning said. Schneider also emphasized Kühn's contribution to the company's commercial success. "The Supervisory Board, your colleagues on the Board of Management and the other people you worked with inside and outside of the company greatly appreciated your tremendous expertise, your great dedication and your very pleasant manner," Schneider said, wishing Kühn all the best for the future.

Schneider also thanked Wenning for his great dedication and successful work during his 44 years at Bayer, including eight years as Chairman of the Board of Management. The Supervisory Board Chairman said this included the strategic realignment of the Bayer Group, without which Bayer would neither have experienced its current success nor navigated the economic crisis so comparatively well. "Under your leadership, Bayer gained a new face within just a few years," Schneider said. "I don't think it is an exaggeration to say that you have left a clear and lasting mark. And for that, too – and I think I speak on behalf of everyone here – I would like to thank you most sincerely once again," stressed the Supervisory Board Chairman.

Schneider also mentioned a change in the membership of the Supervisory Board. Karl-Josef Ellrich will enter retirement on July 1, 2010. Ellrich is Chairman of the Group Works Council of Bayer and Chairman of the Works Council at Bayer's Dormagen site. He has served as an employee representative on the Supervisory Board since 2000. Roswitha Süsselbeck will join the Supervisory Board as his elected substitute.

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**Forward-Looking Statements**

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