



News Release

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Werner Wenning at the Bayer AG Annual Stockholders' Meeting

“Corporate strategy proves effective in a difficult environment”

- Earnings targets met in 2008
- Proposed 3.7 percent increase in dividend, to EUR 1.40 per share
- CropScience and Pharmaceuticals remain on a path of growth in the current year
- Group targets increasingly demanding following the slump in business at MaterialScience

Düsseldorf/Leverkusen, May 12, 2009 – The Bayer Group once again improved its key financial data in 2008 compared to the previous year and met the earnings targets it had announced. “We are proud of what was operationally the most successful year in Bayer’s long history,” said Management Board Chairman Werner Wenning on Tuesday at the Annual Stockholders’ Meeting in Düsseldorf. The company intends the stockholders to benefit from this gratifying performance through a proposed dividend of EUR 1.40 per share. This corresponds to an increase of 3.7 percent and gives a total payout of EUR 1.07 billion. In the first quarter of 2009, the performance of Bayer’s businesses varied widely as expected. While CropScience and Pharmaceuticals remained on a path of growth, the slump in business at MaterialScience left a distinct mark on sales and earnings of the Group as a whole. Wenning said Bayer remains relatively confident about the future overall despite the severe global economic crisis. “Our corporate strategy is proving effective even in a difficult environment. We are benefiting from the Group’s alignment toward the life-science businesses, which are less dependent on global economic development.”

Wenning began his presentation with a review of fiscal 2008. Group sales came in at EUR 32.9 billion, up 4.4 percent year on year on a currency- and portfolio-adjusted basis. Group earnings before interest, taxes, depreciation and amortization (EBITDA), before special items, improved by 2.3 percent to a record EUR 6.9 billion. “We met our profitability target, achieving a margin of 21.1 percent,” Wenning commented. EBIT before

special items also reached an all-time high of EUR 4.3 billion. Group net income came in at EUR 1.7 billion. Wenning also highlighted the cash flow return on investment, which at 13 percent was the highest in the company's history. The internal hurdle was exceeded by EUR 1.2 billion, which means significant value was created for the company, Wenning explained.

These achievements were made possible by the more than 108,000 employees in the three subgroups, the service companies, the country organizations and the Corporate Center, Wenning pointed out. "It is they who research, develop, manufacture and market our products around the world. Once more, they impressively demonstrated their innovative spirit, drive and customer orientation."

The employees shared in the company's success through bonuses totaling some EUR 475 million that were paid out under the Group-wide incentive program. To help safeguard jobs, Bayer's employees in Germany made a solidarity contribution of just under 2 percent of each employee's bonus. "This solidarity pact applies not just toayscale employees, but also to managerial staff all the way to the members of the Board of Management," Wenning stressed. The contribution finances the salaries of employees whose jobs have been eliminated by structural measures and for whom new employment is not immediately available. The solidarity pact has tradition at Bayer and is part of an agreement with the works council on safeguarding jobs, under which dismissals for operational reasons in Germany are ruled out – currently until the end of 2009. Wenning announced that the company will be starting talks to arrive at an appropriate follow-on arrangement. "We clearly need more flexibility here regarding pay, worktime and work locations," the Bayer CEO explained.

Commercial success and social responsibility in harmony

The Bayer Chairman went on to say that the successful reorganization of the Bayer Group in recent years has shown that commercial success and socially responsible actions can be brought into balance. "We regard this as a clear expression of our corporate social responsibility," said Wenning. Yet social responsibility and social acceptance are closely linked. Bayer, he said, endeavors to communicate transparently and openly in order to achieve that acceptance. But he also pointed out that it is not always easy to reach an expedient consensus of different opinions. This, he said, is also true of the plan to build a carbon monoxide pipeline from Dormagen to Krefeld-Uerdingen,

a project that continues to meet with incomprehension and concern among many residents along the route. Wenning stressed that Bayer is convinced of the safety of this pipeline. The safety concept exceeds both the existing standards and the legal requirements. For Bayer, he said, a parliamentary vote is crucial to achieving social acceptance. "We therefore welcome the further vote by the North Rhine-Westphalia state parliament, which in April of this year made a declaration in favor of dependable conditions and planning security for investments in major industrial and infrastructure projects," Wenning remarked. This positive signal, he said, encourages the company to continue resolutely pursuing the construction and commissioning of the pipeline. "Now especially, at this time of severe economic crisis, we must take advantage of the opportunities and the strengths that locations such as North Rhine-Westphalia have to offer," Wenning continued. He said it should not be forgotten that safeguarding jobs will continue to require more investment, particularly in production facilities. The competition between different locations for that investment will become even more intense, Wenning predicted. For that reason more attractive and more competitive conditions are needed, particularly in Germany.

"React quickly and appropriately to economic trends"

"Apart from that, companies need to react quickly and appropriately to economic trends," the Bayer CEO remarked. In view of the economic crisis, management and the employee representatives at MaterialScience have therefore jointly agreed to temporarily reduce working hours at the subgroup's German sites, coupled with a corresponding reduction in the collectively agreed rates of pay. Comparable measures have been introduced for managerial employees of MaterialScience. The aim of this solidarity-based solution is to help Bayer overcome the difficult business situation at MaterialScience.

"We set about improving the competitiveness of all our subgroups and service companies at an early stage," Wenning said. Since the Group's reorganization in 2002, Bayer has implemented efficiency improvement and cost-saving measures with a total volume of some EUR 4 billion. "In this way we have continually strengthened the foundations for our long-term success," said Wenning. He said the company will continue to observe and constantly analyze the trends – particularly in the market environment for MaterialScience. "Obviously there will be some restructuring in the market and consolidation of production capacities. Like other companies, we will be unable to escape these trends. But any future measures and adjustments at Bayer will be designed in such

a way that they do not impair the sustainability of our business,” Wenning assured the meeting.

Highest research budget in Bayer’s history

In the words of the Bayer CEO, sustainability requires sound business models, a responsible approach toward all interest groups, and investment in the future. In keeping with this principle, Bayer plans to increase its research spending to EUR 2.9 billion in 2009. This is the highest R&D budget in the company’s history. “Through innovation we safeguard growth – and with it jobs and prosperity – even if in most cases it will be many years before its success is apparent,” he said. The Chairman emphasized that Bayer is well equipped to deal with the expected changes in global markets and in society – especially world population growth and the increasing demand for food and health care. Climate protection will also remain at the top of the agenda, he said. “We have good answers in our portfolio that address long-term challenges and at the same time take advantage of related business opportunities for Bayer. We continue to focus closely on these perspectives, even though the current economic environment is particularly challenging.”

Looking at Bayer’s current business performance, Wenning described it as encouraging that the CropScience and Pharmaceuticals businesses remained on a path of growth in the first quarter of 2009. However, the slump in business at MaterialScience as a result of the economic crisis is leaving a distinct mark on sales and earnings of the Group as a whole. Group sales were down by a nominal 7.5 percent from the record level of the prior-year period, to EUR 7.9 billion. EBITDA before special items dropped by 22 percent to EUR 1.7 billion, and net income moved back by 44 percent to EUR 425 million. Wenning confirmed the full-year guidance that the company published recently along with its first-quarter figures. He said the original aim of limiting the decline in Group EBITDA before special items to 5 percent in 2009 is increasingly demanding. However, he believes that aim could still be achieved if there is a tangible recovery in the MaterialScience business. The downturn appears to be bottoming out. “The first signs of a modest recovery in demand are appearing, although that does not yet signify a sustained improvement,” he said. Bayer expects Group sales for the full year to be in the region of EUR 32 billion. Net financial debt, which stood at EUR 14 billion at the end of March, is expected to fall toward EUR 10 billion in 2009 – helped by the conversion of the mandatory convertible bond into equity when it matures in June and by an improvement in

net cash flow. "We are optimistic that we will emerge from this crisis even stronger than before, and we believe the Group is on track for long-term success, thanks to the potential our portfolio holds for innovation and growth," concluded Wenning.

The proposals to be voted on at the Annual Stockholders' Meeting include the planned switch from bearer shares to registered shares. This would make it easier for the company to contact its stockholders and also increase transparency. The switch would not involve any costs for the stockholders.

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