Investor News

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

Bayer has outstanding perspectives as a pure Life Science company

- Very successful fiscal 2014 both strategically and operationally
- Dividend increase to EUR 2.25 per share for 2014 proposed
- Employees share in the company's success through total bonuses of around EUR 900 million
- Good start to 2015

Leverkusen, Germany, May 27, 2015 – The Bayer Group can look back at a year of significant strategic positioning. "2014 wasn't just a year full of important strategic decisions for us, it was also a very successful year operationally," said Management Board Chairman Dr. Marijn Dekkers on Wednesday at the Annual Stockholders' Meeting of Bayer AG in Cologne. He explained that the company had strengthened its Life Science businesses HealthCare and CropScience through important acquisitions and decided to demerge the MaterialScience business. Bayer intends for its stockholders to benefit from the operational business success in 2014 with a dividend increase to EUR 2.25 (2013: EUR 2.10) per share, giving a total payout of around EUR 1.9 billion. Dekkers expressed optimism for the future: "We are convinced that Bayer has outstanding growth perspectives as a pure Life Science company."

Sales increased by 5.2 percent last year to EUR 42.2 billion. Adjusted for currency and portfolio effects (Fx & portfolio adj.), business expanded by 7.2 percent. "These record sales were driven in particular by growth in our Life Science businesses. And MaterialScience also registered encouraging sales gains," Dekkers explained. EBIT of the Bayer Group improved by 11.6 percent to EUR 5.5 billion, while EBITDA before special items rose by 4.9 percent to EUR 8.8 billion. Core earnings per share increased by 7.3 percent to EUR 6.02. Dekkers stressed that Bayer's record figures in 2014 were not attained at the expense of the company's long-term growth perspectives. "On the contrary, as in previous years we once again invested substantially in our future.” Research and development spending rose by 4.9 percent to EUR 3.6 billion in 2014 and capital expenditures by 15.5 percent to EUR 2.5 billion.

The primary growth drivers in the Pharmaceuticals business at Bayer HealthCare were the recently launched products: the anticoagulant Xarelto™, the eye medicine Eylea™, the cancer drugs Stivarga™ and Xofigo™, and Adempas™ to treat pulmonary hypertension. “These five recently launched products have played a crucial role in making us one of the fastest-growing large companies in the pharmaceutical industry,” said Dekkers. These products generated combined sales of EUR 2.9 billion in 2014, which was nearly twice as much as in the previous year. Bayer expects this figure to rise further to more than EUR 4 billion in 2015.

As in the Pharmaceuticals business, new products were the main drivers of growth in Crop Protection as well. Products Bayer has introduced to the market since 2006 achieved combined sales of EUR 1.9 billion (2013: EUR 1.5 billion). Bayer is targeting a further increase to approximately EUR 2.8 billion by 2017. These new products contributed some 70 percent to absolute sales growth in the Crop Protection business at Bayer CropScience last year. “That shows how important it is in this area as well to maintain a high level of investment in research and development,” said Dekkers. “Only through innovation can we continue to strengthen our competitive position and be commercially successful in the future.”

The Bayer CEO stressed that the employees had again played a key role in the company’s business success last year. “I would like to sincerely thank them all for this.” Under the Group-wide short-term incentive program alone, Bayer paid out some EUR 900 million to its employees.

Substantial sales growth in the first quarter of 2015

“Bayer also got off to a good start in the new business year,” continued Dekkers. Sales climbed by 14.8 percent (Fx & portfolio adj. 2.7 percent) to EUR 12.1 billion, while EBITDA before special items rose by 9.6 percent to EUR 3.0 billion. EBIT fell by 4.7 percent to EUR 2.0 billion due to special charges. However, core earnings per share improved by 7.7 percent to EUR 2.10.

“In view of this business development and much more favorable exchange rates, we raised our guidance for 2015 following the first quarter,” remarked Dekkers. Among the Group’s expectations are an increase in full-year sales to between EUR 48 billion and EUR 49 billion in 2015 – corresponding to a low-single-digit percentage increase on a currency- and portfolio-adjusted basis. Bayer assumes that EBITDA before special items will move forward by a high-teens percentage, as will core earnings per share.

Bayer stock benefits from company’s positive development

Bayer stock benefited from the company’s positive development. At the end of 2014, Bayer’s market capitalization was approximately EUR 93 billion. It has continued to grow this year to a high of EUR 121 billion. Bayer stock again significantly outperformed suitable benchmark indices. In 2014, the increase in value - including the dividend - amounted to 13 percent. Over the past three years, the increase was 147 percent. “Of course we want to sustain this positive value development with good business results,” said Dekkers.

Strategic priorities

Dekkers listed four strategic priorities for Bayer’s successful further development. First, the company plans to focus on further driving forward the organic growth of HealthCare and CropScience. With this aim in mind, he said Bayer intends to further enhance the market success of its innovative products. “At the same time, we are further increasing our spending for research and development in the Life Science businesses. This is the condition for future organic growth with new products,” Dekkers said. Overall, Bayer plans to invest more than EUR 4 billion in research and development this year.

The second priority listed by the Management Board Chairman was the further integration of the consumer care business of Merck & Co., Inc., United States, and Dihon Pharmaceutical, China. With these acquisitions, Bayer has considerably strengthened its non-prescription medicines business and is now the world’s second leading supplier, the Bayer Chairman said. “Our own very successful brands such as Aspirin™ and Bepanthen™ have been joined by further well-known names,” Dekkers commented. He said products such as Claritin™ and Coppertone™ are already established brands, especially in North America. Bayer now plans to link them as closely as possible to its umbrella brand so as to enhance their sales prospects. “The Bayer Cross is a strong trademark throughout the world. It is a credible symbol of quality and reliability," stressed the Bayer CEO.

The third area of focus is the demerger of MaterialScience. The planned stock market flotation is targeted for mid-2016 at the latest. The next important step here will be the economic and legal separation of that company. Bayer will likely decide in the second half of the year which of the possible options is to be used for the stock market flotation. "We are convinced that MaterialScience has outstanding prospects for long-term success as a separate company," the Bayer Chairman said. MaterialScience has a strong global presence and its individual product lines hold either first or second place. In the future, the company will be able to exercise its strength more effectively, faster and more flexibly in the global competitive arena.

Parallel to this process, Bayer's fourth strategic priority according to the Bayer CEO is to drive forward the complete alignment toward the Life Science businesses. In this connection, the Group's corporate structure is currently being examined and restructuring proposals are being developed. "I must emphasize in this connection that it is not about cutting jobs. We continue to anticipate that the number of employees at Bayer will remain stable in the coming years, both worldwide and in Germany," Dekkers said. As a pure Life Science company, Bayer will be able to optimally deploy its strengths: its outstanding competencies in research and development and in marketing, its dynamic pipeline of innovative products, its strong brands, a diversified portfolio and a superior presence in the Emerging Markets. "At the same time, we will benefit from major similarities in our business model," Dekkers stressed, referring to biochemical processes in organisms. As different as people, animals and plants seem to be, molecular mechanisms follow common rules in all life forms. Understanding of these mechanisms has expanded tremendously, as have the possibilities for inventing and producing new molecules, the Bayer CEO remarked. He explained that this is the foundation for the company's mission "Bayer: Science For A Better Life."

Changes on the Supervisory Board of Bayer AG

Among the issues dealt with at the Annual Stockholders' Meeting were two changes on the Supervisory Board. With effect from July 1, 2015, Heinz-Georg Webers will succeed the outgoing Vice Chairman of the Supervisory Board, Thomas de Win, as an elected replacement member. Webers is Chairman of the Works Council at the Bergkamen site and a member of the Central Works Council of Bayer, and also performs other functions.

The Supervisory Board elected Oliver Zühlke – who since February has served as Chairman of the Central Works Council – to succeed de Win as Vice Chairman of the Supervisory Board. Zühlke has been a member of the Supervisory Board of Bayer AG since 2007.

On the stockholder representative side, the Supervisory Board proposed that the Annual Stockholders' Meeting reelect Prof. Dr. Otmar Wiestler to the Supervisory Board to serve until the Annual Stockholders' Meeting in 2020. Wiestler had been appointed to the Supervisory Board by a court as the successor to Dr. Klaus Kleinfeld, who left office with effect from September 30, 2014.

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