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Investor News

"Perspective on Growth in Asia"

Bayer plans further expansion in Asia

- Sales in the region to grow to well over EUR 11 billion by 2015
 - Some EUR 6 billion in sales expected in Greater China alone
 - Plans to expand production, distribution network and research
 - Further capital expenditures of EUR 1.8 billion in Asia by 2015
 - New TDI production facility dedicated in Shanghai
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Leverkusen, November 16, 2011 – The Bayer Group plans to further expand its production, distribution network and research activities in Asia and considerably increase its sales in the region in the coming years. "We aim to achieve a more than 60 percent increase in our sales in Asia by 2015," Management Board Chairman Dr. Marijn Dekkers said on Wednesday at Bayer's international press conference "Perspective on Growth in Asia," held in Shanghai, China. This would mean annual sales of well over EUR 11 billion by 2015 at today's exchange rates. Of this figure, Greater China is planned to account for some EUR 6 billion. Dekkers officially inaugurated a new production facility for TDI – a raw material for the production of flexible foams – at the Bayer Integrated Site Shanghai.

At the press conference, attended by more than 100 media representatives – with journalists in India, Vietnam and Indonesia participating via live video link – Dekkers explained the company's perspectives in the emerging countries of Asia. He said the Bayer Group already does a significant proportion of its business in Asia. Twenty years ago, Asia accounted for only about 10 percent of sales, equivalent to just over EUR 2 billion. Ten years ago, the proportion had grown to about 15 percent, and last year the region already accounted for some 20 percent of sales. In the Asian region, Bayer achieved sales of EUR 6.9 billion in 2010, including EUR 2.9 billion in Greater China, and anticipates further growth in Asia in 2011. "We have made capital expenditures of EUR 3.4 billion in Asia over the past 10 years, creating a basis for outperforming market growth in this region," said Dekkers.

Bayer has laid a firm foundation for expansion. “Our country organizations here have had local roots for many years, in fact we have been operating for more than a century in China, India and Japan,” said Dekkers. “We are familiar with the markets, and we know how to tune our approaches to the different conditions prevailing in different markets in order to further expand our business.”

Megatrends particularly strong in the emerging Asian markets

Asia is a remarkable continent with particularly strong growth momentum, Dekkers continued. He said the change processes resulting from global megatrends are especially rapid and fundamental in the emerging markets. These megatrends include rising life expectancy, which is greatly increasing the demand for health care. “Products from Bayer HealthCare help to keep people healthy, cure diseases and significantly improve the quality of life – also for elderly people,” said Dekkers.

Another megatrend is the growth in the world population, which is expected to increase by another 2 billion to 9 billion over the next 40 years. At the same time, more and more agricultural land is being used for energy production. “Our researchers at Bayer CropScience are helping to increase yields on the limited amount of agricultural land available, and to reduce harvest losses,” Dekkers pointed out.

According to Dekkers, humankind must also bring the megatrend of climate change to a halt and start reversing it. Asia consumes more energy than North America and Europe combined, he said. “Products from Bayer MaterialScience not only help to save energy through high-performance thermal insulation in buildings or lighter-weight materials in vehicles, they also improve the performance of wind turbines, for example. And we take care to use energy-saving processes in the manufacture of our products.”

Further investment in production, distribution, research and human resources

All the Asian countries are intended to play a part in achieving the sales increase targeted for 2015. Apart from China, this applies particularly to India, where sales are expected to grow from just over EUR 0.5 billion last year to about EUR 1 billion. Sales in Japan are planned to rise from just under EUR 2 billion to around EUR 2.4 billion. To meet its targets, Bayer intends to improve the availability of its products in Asia. “We already operate major production facilities here and intend to go on expanding in the future,” said

Dekkers. He said Bayer will continue to expand its distribution network to serve the subcenters and rural areas as well.

In addition, Bayer intends to participate in the region's transition to an innovation hub of the globalized world. Here the company is focusing on collaborations with the leading institutes and centers of expertise, as well as its own activities. "We will also continue to invest in local research and development and thus contribute our know-how to the R&D landscape here. And in doing so, we are taking account of Asia's particular needs," said Dekkers. That applies, for example, to diseases that occur more frequently there than in other parts of the world – such as liver cancer. Bayer also wants to improve access to its new medicines in Asia by integrating Asian patients into the early stages of global development programs, and plans to submit innovative medicines for registration concurrently in Asia, Europe and the United States.

Bayer CropScience works with agricultural crops that are particularly important in Asia, Dekkers explained. The subgroup's focus is therefore on research and development projects for crops such as oilseed rape/canola, rice, cotton, soybeans, wheat and vegetables. Bayer MaterialScience not only supplies industrial customers with locally manufactured polymer products, it also offers the necessary technical advice and applications development know-how through its systems houses.

To meet its growth targets in Asia, Bayer plans to develop the necessary personnel resources, Dekkers continued. The company's Asian workforce has increased by nearly 8 percent in the past 12 months alone. "And we expect to see a further rapid increase in employment in the coming years." The number of employees in Asia could increase from 23,700 in 2010 to more than 30,000 by 2015. Capital expenditures of some EUR 1.8 billion are also planned during this period.

Bayer aiming for rapid growth in all subgroups in China

A major focus of Bayer's activities is Greater China, now the company's biggest market in the region. In the first nine months of 2011, Bayer had some 11,000 employees in Greater China and sales of EUR 2.2 billion (RMB 19.8 billion), which was 8 percent of Bayer Group sales. Bayer MaterialScience accounted for 59 percent, Bayer HealthCare for 37 percent and Bayer CropScience for approximately 4 percent of this figure. "We want all of our subgroups in China to continue their rapid growth," said Dekkers. Bayer plans to increase sales in Greater China to about EUR 6 billion by 2015, with

MaterialScience accounting for about EUR 3 billion of this figure, HealthCare for EUR 2.5 billion and CropScience for a good EUR 300 million.

Dekkers described the steady double-digit growth rates in the Chinese pharmaceutical market as remarkable, pointing out that Bayer is one of the five largest health care companies in China. Local sales of Bayer HealthCare in 2010 amounted to EUR 926 million (RMB 8.2 billion), with the prescription medicines of the Pharmaceuticals Division accounting for 80 percent of this figure and non-prescription medicines, medical devices and animal health products for 20 percent.

With a market share of nearly 5 percent and EUR 130 million (RMB 1.2 billion) in sales, Bayer CropScience is the number three supplier in the Chinese crop protection market. “Our aim is to be the supplier of choice in China’s most important crops – especially rice and vegetables,” said Dekkers, adding that the key to this lies in comprehensive solution packages – including innovative products – that give effective support to farmers.

The Chinese market is of considerable importance for the MaterialScience business. For example, China is the world’s biggest market for the construction industry, for automobiles and railway vehicles, for the electrical and electronics industry, and for shoe production. These industries are among the principal customers of Bayer MaterialScience. Last year Bayer MaterialScience had sales of EUR 1.8 billion (RMB 16.3 billion) in Greater China.

New TDI plant dedicated

On Wednesday, in the presence of numerous guests as well as high-ranking politicians and officials, Dekkers inaugurated a new TDI production facility with a planned capacity of 250,000 tons per year at the Bayer Integrated Site Shanghai. The plant is based on a new process technology that reduces solvent use by some 80 percent compared with plants of a similar size that use the conventional process. It also lowers energy consumption by up to 60 percent. The use of this technology also enables substantial savings on operating costs and a reduction of roughly 60,000 tons per year in carbon dioxide emissions. In addition, the new technology cuts the investment costs for large-scale plants of this type by around 20 percent.

Second investment phase at the Shanghai production site

“We have been operating at the Shanghai Chemical Industry Park for ten years,” the Bayer CEO remarked. Bayer MaterialScience has invested EUR 2.1 billion in production facilities for all of its major products on this site. The company intends to follow this first phase of investment with a second phase. Bayer plans to spend a further EUR 1 billion to expand its MDI capacity to 1 million tons per year, increase its polycarbonate capacity to 500,000 tons annually and build a new HDI line that will raise annual capacity by 50,000 tons. “These are considerable capital expenditures involving significant capacity expansions. It goes without saying that we use the very latest technology in our facilities,” Dekkers stressed.

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