



Science For A Better Life

Bayer AG
Financial Statements 2013



The management report of Bayer AG is combined with the management report of the Bayer Group. The Combined Management Report is published in Bayer's Annual Report for 2013. The financial statements and the Combined Management Report of the Bayer Group and Bayer AG for fiscal 2013 have been submitted to the operator of the electronic Federal Gazette and are accessible via the Company Register website.

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Income Statements

	Note	2012	2013
		€ million	€ million
Income from investments in affiliated companies – net	[1]	1,719	3,542
Interest expense – net	[2]	(445)	(315)
Other financial income – net	[3]	89	110
Other operating income	[4]	87	118
General administration expenses		(228)	(266)
Other operating expenses	[5]	(106)	(148)
Income before income taxes		1,116	3,041
Income taxes	[6]	(227)	(543)
Net income		889	2,498
Withdrawal from/allocation to other retained earnings		682	(761)
Distributable profit		1,571	1,737

Statements of Financial Position

	Note	Dec. 31, 2012	Dec. 31, 2013
		€ million	€ million
ASSETS			
Noncurrent assets			
Intangible assets	[11]	12	11
Property, plant and equipment	[12]	10	10
Investments	[13]	34,310	35,300
		34,332	35,321
Current assets			
Receivables and other assets			
Trade accounts receivable	[14]	30	35
Receivables from subsidiaries	[15]	316	1,712
Other assets	[16]	294	254
	[17]	640	2,001
Marketable securities	[18]	125	125
Cash and cash equivalents	[19]	778	847
		1,543	2,973
Deferred charges	[20]	16	29
Surplus from offsetting	[21]	131	137
		36,022	38,460
EQUITY AND LIABILITIES			
Equity			
	[22]		
Capital stock		2,117	2,117
Capital reserves		6,176	6,176
Other retained earnings		4,024	4,785
Distributable profit		1,571	1,737
		13,888	14,815
Provisions			
Provisions for pensions	[23]	2,217*	2,162
Other provisions	[24]	502*	814
		2,719	2,976
Other liabilities			
Bonds and promissory notes	[25]	3,187	2,187
Liabilities to banks		1	42
Trade accounts payable	[26]	22	32
Payables to subsidiaries	[27]	15,874	16,983
Miscellaneous liabilities	[28]	331	1,425
	[29]	19,415	20,669
		36,022	38,460

* 2012 figure restated

Notes to the Financial Statements

Accounting Policies

The financial statements of Bayer AG are prepared in accordance with the German Commercial Code (HGB) and Stock Corporation Act (AktG).

Certain items in the income statement and statement of financial position are combined for the sake of clarity; they are explained in the Notes. Financial income and expenses whose disclosure is not covered by a mandatory item are reported under other financial income or expenses.

The income statement has been drawn up using the cost-of-sales method. In line with Bayer AG's role as a holding company, the summarized items of the financial result are presented first.

A declaration of compliance with the German Corporate Governance Code has been issued pursuant to Section 161 of the German Stock Corporation Act (AktG) and made permanently available to stockholders on the internet as part of the Declaration on Corporate Governance pursuant to Section 289a of the German Commercial Code (HGB). It can be downloaded from [HTTP://WWW.BAYER.COM/EN/CORPORATE-GOVERNANCE.ASPX](http://www.bayer.com/en/corporate-governance.aspx).

As in the previous year, the management report of Bayer AG has been combined with the management report of the Bayer Group in application of Section 315 Paragraph 3 of the German Commercial Code (HGB) in conjunction with Section 298 Paragraph 3 HGB.

Recognition and Valuation Principles

Intangible assets that have been acquired are recognized at cost and amortized on a straight-line basis over their estimated useful lives. Self-generated intangible assets are not capitalized.

Property, plant and equipment is carried at the cost of acquisition or construction less depreciation of assets that are subject to wear and tear. The straight-line method of depreciation is normally used. Movable assets that were already recognized as of December 31, 2007 are depreciated by the declining balance method at the maximum depreciation rates permitted for tax purposes, switching to the straight-line method as soon as this leads to higher annual depreciation. Depreciation is based on the following useful lives of property, plant and equipment:

Useful Life of Property, Plant and Equipment

Commercial buildings	25 to 40 years
Vehicles	5 years
Computer equipment	3 to 4 years

Assets that can be utilized separately and are subject to depletion are depreciated in full in the year of acquisition if their cost of acquisition or construction does not exceed €410. A different ruling applied for assets acquired or constructed in 2008 and 2009. These were depreciated in full in the year of acquisition if their cost of acquisition or construction did not exceed €150. Assets with an acquisition or construction cost of between €150 and €1,000 were aggregated annually in a single item, which was then depreciated over five years.

Write-downs are made for any declines in value that go beyond the depletion reflected in depreciation and are expected to be permanent.

The cost of construction of self-constructed property, plant and equipment comprises the direct cost of materials, direct manufacturing expenses, appropriate allocations of material and manufacturing overheads, and an appropriate share of the depreciation of assets used in construction.

Investments in subsidiaries and affiliated companies are carried at cost, less write-downs for any decline in value that is expected to be permanent. Where the reasons for write-downs made in previous years no longer apply or only partially apply, the respective items are written back accordingly, provided that the write-back does not cause the carrying amount to exceed the cost of acquisition.

Loans receivable that are interest-free or bear low rates of interest are carried at present value; other loans receivable are carried at nominal value. The loans also include *jouissance* rights granted to Bayer Pensionskasse VVaG, Leverkusen, Germany, and the latter's drawings on a retroactive contribution to its effective initial fund made available by Bayer AG.

Receivables and other assets are stated at nominal value, less any necessary write-downs for amounts that are unlikely to be recovered. Interest-free receivables, or receivables that bear low interest rates, that are due in more than one year are recognized at discounted value.

Marketable securities are shown at the lower of cost or market as of the closing date.

The amounts required to meet credit balances on employee's long-term worktime accounts and certain pension obligations are invested indirectly via investment vehicles in basically liquid fixed-income bonds, shares, real estate and alternative investments. They are administered on behalf of Bayer AG by Bayer Pension Trust e.V., Leverkusen, Germany, and are protected from other creditors in the event that the employer should file for insolvency. The investments are measured at fair value, which is derived from share prices and market interest rates. The trust assets held by Bayer Pension Trust are offset against the underlying obligations. If the obligations exceed the assets, a provision is recorded. If the value of the securities exceeds the obligations, it is recorded in the statement of financial position as a surplus from offsetting. Accordingly, in the income statements income from the trust assets is offset against the interest portion of the corresponding provisions.

Where the redemption value of liabilities exceeds their issue price, the difference is capitalized and amortized over the term of the liabilities.

Deferred taxes are calculated for temporary differences between the amounts of assets, liabilities and deferred income and charges in the commercial accounts and those prepared for tax purposes. As well as items reflected in its own statement of financial position, Bayer AG also includes those relating to subsidiaries with which it forms a fiscal entity for tax purposes and partnerships in which it holds an equity interest. In addition to temporary differences, tax loss carryforwards are taken into account. Deferred taxes are calculated on the basis of the combined income tax rate for the fiscal entity headed by Bayer AG, which is currently 31.38%. The combined income tax rate comprises corporate income tax, trade tax and the solidarity surcharge. In the case of partnerships, however, deferred taxes relating to temporary differences in the statement of financial position are calculated using a combined income tax rate that includes only corporate income tax and the solidarity surcharge; this income currently amounts to 15.83%. Any resulting tax liability would be recognized as a deferred tax liability in the statement of financial position. In the event of a tax receivable, the corresponding option to recognize the deferred tax asset would not be used. In 2013 there was a deferred tax asset, which was accordingly not recognized in the statement of financial position.

Notes

Recognition and Valuation Principles

Provisions for pensions are computed using the projected unit credit method on the basis of biometric probability using the Heubeck 2005 G reference tables. Expected future salary and pension increases are taken into account. As in the previous year, we currently assume annual salary increases of 3.00% and still assume annual pension increases of 1.75% p.a. Notwithstanding this, for pension commitments granted since January 1, 2000, an annual pension rise of 1.00% is calculated as this is a firm commitment to the employees. The discount factor used for pension provisions in the 2013 financial statements was 4.89% (2012: 5.05%), which is the average market interest rate for the past seven years for instruments with an assumed remaining maturity of 15 years, as determined and published by the Deutsche Bundesbank for November 2013.

Other provisions are established to cover all foreseeable risks and uncertain liabilities, based on reasonable estimates of the settlement amount. Future price and cost increases are taken into account where there are sufficient objective indications that such increases will most probably occur. Provisions maturing in more than one year are discounted to the present value using the average market interest rate for the past seven years, based on their remaining maturities. For longer-term personnel-related provisions, such as provisions for long-service anniversaries, a discount rate of 4.89% (2012: 5.05%) is used for an assumed period of 15 years until utilization. Shorter-term personnel-related provisions, for example, for obligations under early retirement and senior part-time working arrangements, are discounted using a rate that corresponds to the maturity, which was three years in 2013. The discount rate was 3.62% (2012: 3.95%). These are the rates determined and published by the Deutsche Bundesbank for November 2013.

Liabilities are recognized at the settlement amount as of the closing date. Noncurrent liabilities containing an interest component are discounted using the average market interest rate in the past seven years applicable to their maturity.

Foreign currency receivables and liabilities, forward exchange contracts and other currency derivatives are recognized using the mark-to-market method. For this purpose, foreign currency receivables and payables are valued at spot rates, while the fair value of the corresponding currency derivatives on the closing date is determined. Unrealized gains and losses are then offset in each currency using the net hedge presentation method. Provisions are set up for any net unrealizable losses; net unrealizable gains are only recognized if they relate to receivables and liabilities with a remaining maturity of up to one year.

Cash and cash equivalents and bank balances held in euros are recognized at their nominal value, such assets held in foreign currencies are translated at the spot rate on the closing date of the financial statements.

Contingent liabilities arising from sureties and debt guarantees are shown at the amounts equivalent to the loans or commitments actually outstanding as of the closing date.

Notes to the Income Statements

(1) Income from Investments in Affiliated Companies – Net

Income from Investments in Affiliated Companies – Net

	2012	2013
	€ million	€ million
Dividends and similar income		
• of which €386 million (2012: €150 million) from subsidiaries	150	386
Income from profit and loss transfer agreements with subsidiaries	2,194	3,541
Expenses from profit and loss transfer agreements with subsidiaries	(604)	(392)
Write-downs of investments in affiliated companies	(82)	(5)
Gains from the sale of investments in affiliated companies	61	12
	1,719	3,542

Details of the income and losses from investments in affiliated companies are given in the Combined Management Report of Bayer AG and the Bayer Group.

In 2013 a write-down of €5 million was made on the investment in Bayer Parsian AG, Iran. The write-downs of investments in affiliated companies in 2012 principally comprised €33 million relating to Bayer Bitterfeld GmbH, Germany, €24 million relating to Chemie-Beteiligungsaktiengesellschaft, Switzerland, €13 million relating to Bayer MaterialScience Private Limited, India, and €12 million relating to Bayer Innovation GmbH, Germany.

(2) Interest Expense – Net

Interest Expense – Net

	2012	2013
	€ million	€ million
Other interest and similar income		
• of which €63 million (2012: €73 million) from subsidiaries	315	281
Interest and similar expenses		
• of which €(160) million (2012: €(227) million) to subsidiaries	(592)	(463)
Interest portion of pension and other noncurrent personnel-related provisions (net)	(168)	(133)
	(445)	(315)

Details of the net interest position are given in the Combined Management Report of Bayer AG and the Bayer Group.

Expenses for the interest portion of pension and other noncurrent personnel-related provisions comprised the net expenses after offsetting income from the assets held by Bayer Pension Trust e.V., Leverkusen, Germany, and the impact of the change in the discount rate. The assets held by Bayer Pension Trust serve the sole purpose of meeting obligations relating to pensions and credit balances on employees' long-term worktime accounts. They are protected from other creditors.

Notes

(3) Other Financial Income (Expense) – Net

Income from investment of these assets was offset against the interest portion of the corresponding provisions as follows:

Netting of the Interest Portion of Pension and Personnel-Related Provisions with Income from Plan Assets

	2012	2013
	€ million	€ million
Interest portion of pension and other noncurrent personnel-related provisions and from changes in the discount rate (gross)	(174)	(177)
Income from assets held by Bayer Pension Trust	6	44
	(168)	(133)

(3) Other Financial Income (Expense) – Net

Other Financial Income (Expense) – Net

	2012	2013
	€ million	€ million
Changes in provisions for pensions and other noncurrent personnel-related provisions (excluding interest portion)	(56)	(26)
Allocation to pension provisions assigned to subsidiaries	183	162
Expenses from currency translation		
– Realized exchange losses	(1,718)	(1,368)
– Unrealized expenses from valuation	(7)	(3)
Income from currency translation		
– Realized exchange gains	1,632	1,355
– Unrealized income from valuation	60	2
Miscellaneous financial expenses	(61)	(28)
Miscellaneous financial income	56	16
	89	110

The interest portion of allocations to pension and other noncurrent personnel-related provisions is included in interest expense. Other financial income and expense contains further changes in pension provisions, not related to the interest portion, pertaining to former employees of Bayer AG who retired before the hive-down of the business areas and service areas (effective date: July 1, 2002) or who left the company before then and have vested pension rights. Changes of this kind occur in the event of changes in actuarial valuation parameters. The figure of €56 million recognized for 2012 included one-time expenses relating to altered assumptions on the period for which Bayer AG will assume the statutory obligation to increase the pensions paid by the Bayer pension fund (Bayer-Pensionskasse).

The expenses for allocations to the above provisions for employees who retired or left the company before July 1, 2002 are reimbursed by the subsidiaries on a pro rata basis under the respective carve-out agreements.

The miscellaneous financial expenses comprised €7 million (2012: €9 million) in bank charges and €21 million for an allocation to provisions for minimum dividends for former non-controlling interests in Bayer Pharma AG (formerly Bayer Schering Pharma AG) pertaining to 2006 and 2007, in connection with the outcome of the associated court review. Miscellaneous financial income includes €6 million (2012: €3 million) from fees for guarantees and €9 million from a payment received from a loan to Bayer AB, Sweden, that had previously been written down.

In 2012, miscellaneous financial expenses also included losses of €51 million on the sale of shares in a foreign investment fund allocated to marketable securities; economically this related to tax-free dividends of €49 million previously recognized as miscellaneous financial income, and write-down on the units in this fund. Further, the miscellaneous financial income in 2012 included €3 million for securities lending.

(4) Other Operating Income

Other operating income comprised:

Other Operating Income

	2012	2013
	€ million	€ million
Income from the provision of services	80	114
Reversals of unutilized provisions	1	2
Miscellaneous income	6	2
	87	118

Income from the provision of services comprised income from services provided by the Corporate Center departments of Bayer AG, mainly to subsidiaries. The expenses incurred in rendering these services were reflected in other operating expenses.

(5) Other Operating Expenses

Other operating expenses comprised:

Other Operating Expenses

	2012	2013
	€ million	€ million
Expenses for the provision of services	80	116
Expenses for corporate advertising	17	26
Miscellaneous expenses	9	6
	106	148

(6) Income Taxes

The taxes reflected here are corporate income tax, trade tax, the solidarity surcharge and income taxes paid outside Germany.

Deferred taxes are not included in this item. As of December 31, 2013 Bayer AG expected a future tax refund of €515 million from temporary differences relating to its own financial statements and those of companies that form a fiscal entity with Bayer AG and partnerships. The corresponding refund expected as of December 31, 2012 was €365 million. This was calculated using a combined income tax rate of 31.38% (2012: 31.37%) (Bayer AG and companies comprising a fiscal entity with Bayer AG) or 15.83% (2012: 15.83%) (equity stakes in partnerships, here the tax rate only includes corporate income tax and the solidarity surcharge).

Notes

(7) Other Taxes

Deferred tax liabilities principally arise from different valuations of assets in the financial statements prepared for commercial and tax purposes. Deferred tax assets mainly relate to the higher valuation of pension obligations in the commercial financial statements than in those prepared for tax purposes. Other deferred tax assets result from provisions that are non tax-deductible, for example, provisions for impending losses and pre-retirement leave, and from differences in the measurement of, for example, provisions for part-time working by older employees and long-service anniversaries. There is also a deferred tax asset relating to an as yet unused tax loss carryforward. Overall, deferred tax assets are far higher than deferred tax liabilities. As permitted by the option in Section 274, Paragraph 1, Sentence 2 of the German Commercial Code (HGB), no deferred tax assets are recognized for the difference between deferred tax assets and liabilities.

(7) Other Taxes

Where other taxes can be allocated to general administration expenses they are assigned to the corresponding functional cost item. In other cases, they are assigned to other operating expenses. Other taxes totaled €1 million (2012: €5 million).

(8) Personnel Expenses/Employees

Personnel Expenses

	2012	2013
	€ million	€ million
Wages and salaries	120	136
Social expenses	8	9
Pension expenses	6	17
	134	162

The personnel expenses shown here do not contain the interest portion of personnel-related provisions, especially pension provisions, which is included in net interest expense.

The average number of employees at Bayer AG was 746 in 2013 (2012: 704), subdivided as follows:

Employees

	2012		2013	
	Female	Male	Female	Male
Senior managers	66	231	68	240
Junior managers and non-managerial employees	234	173	247	191
	300	404	315	431

Part-time employees are included in this figure on a pro-rated basis.

(9) Stock-based Compensation

As an additional remuneration component, Bayer AG offers its employees long-term stock-based compensation programs. Different collective programs are offered to different groups of employees.

The Aspire program for members of the Board of Management, other senior executives and middle managers comprises two variants. In addition, all management levels and non-managerial employees are offered the BayShare stock participation program, which is set annually by the Board of Management.

Further, in 2004 Bayer offered middle managers a Stock Incentive Program, running for 10 years, and a Stock Participation Program for junior managers and non-managerial employees.

Provisions are recorded for all obligations existing under the stock-based compensation programs at the closing date. The amount of such provisions is based on the fair value of the obligations and the proportion of the total duration of the respective program that has elapsed since its introduction. Allocations to provisions are expensed.

The fair value of obligations under the stock-based compensation programs has been calculated by the Monte Carlo simulation method using the following key parameters:

Parameters Used to Determine Fair Value

	2012	2013
Dividend yield	2.66%	2.14%
Risk-free interest rate (duration 4 years)	0.155%	0.644%
Volatility of Bayer shares	27.40%	27.06%
Volatility of the EURO STOXX 50	24.54%	22.54%
Correlation between the Bayer share price and the EURO STOXX 50	0.75	0.77

ASPIRE I

To participate in Aspire I, members of the Board of Management and other senior executives are required to purchase a certain number of Bayer shares that is predetermined according to specific guidelines and to retain them for the full term of the program. A percentage of the executive's annual base salary – based on his/her position – is defined as a target for variable payments (Aspire target opportunity). At the end of each tranche of this program, participants receive a certain percentage of their target opportunity expressed in monetary terms. The amount depends on the price performance of Bayer stock, both in absolute terms and relative to the EURO STOXX 50. The ceiling is 300% and each tranche runs four years.

A final tranche under the old conditions was issued in 2010 but only for half the previous volume. The maximum payment was 200%. The tranche ran for three years and therefore ended on January 1, 2013. The maximum payment of 200% was made at the start of 2013.

The first tranche under the new conditions, which was also issued in 2010, ended on January 1, 2014. Here too, the maximum payout of 300% was achieved and was made at the start of 2014.

ASPIRE II

Other senior managers are offered Aspire II, a variant of Aspire I that does not require a personal investment in Bayer shares. In this case, the amount of the award is based entirely on the absolute performance of Bayer stock. The maximum payment is 250% of each manager's Aspire target opportunity. For tranches issued up to 2010 on the old conditions, the maximum payment was 150%.

The payment of the target opportunity for the 2010 tranche, which was issued under the old terms, was 150% and was made at the beginning of 2013. The first tranche under the new terms, which was also issued in 2010, also achieved the maximum payout, in this case 250%. The payment was made at the start of 2014.

BAYSHARE

Under the BayShare program, Bayer subsidizes eligible employees' personal investments in Bayer stock. The discount under this program is set separately each year. In both 2013 and 2012, it was 20% of the subscription amount. As in 2012, the maximum subscription amount was set at €2,500 or €5,000, depending on the employee's position. The maximum subscription amount for trainees was €1,800. The shares acquired under this program are held in a special share deposit account and have to be retained until December 31 of the year following the year of purchase.

STOCK INCENTIVE PROGRAM

Participants in this program receive a cash payment equivalent to a defined number of Bayer shares on certain dates during the ten-year duration of this program. For every ten shares held in a special account (personal investment), they receive the cash equivalent of two shares after two years, and the cash equivalent of a further four shares after six and ten years, respectively. To qualify for these payments, they must still hold the personal investment on the incentive payment dates and the percentage rise in the price of Bayer stock by the payment date must be above the performance of the EURO STOXX 50 since the start of the program. Shares sold during the term of the program therefore do not qualify for incentive payments on subsequent distribution dates. The number of shares that each employee could transfer to the program was equivalent to half of their performance-related bonus for the preceding fiscal year.

STOCK PARTICIPATION PROGRAM

The structure of this program is similar to the Stock Incentive Program. However, the incentive payments are based exclusively on the period for which employees hold their personal investment in Bayer shares. Incentive payments are half those allocated under the Stock Incentive Program. After two years, participants are entitled to receive the cash equivalent of one Bayer share for every ten shares held. After six and again after ten years, they are entitled to receive the cash equivalent of two Bayer shares on each occasion.

In 2013 Bayer spent €19 million (2012: €11 million) on stock-based compensation programs. This amount is reflected in personnel expenses. Provisions for these programs amounted to €28 million as of December 31, 2013 (2012: €13 million).

(10) Valuation Write-downs

In 2013 write-downs of €5 million were made to reflect declines in the value of shares in subsidiaries that were expected to be permanent. In 2012, the corresponding write-downs were €82 million.

Notes to the Statements of Financial Position

(11) Intangible Assets

Intangible Assets

	Acquired concessions, industrial property rights, similar rights and assets, and licenses thereunder
	€ million
Gross carrying amounts, Dec. 31, 2012	42
Additions	2
Gross carrying amounts, Dec. 31, 2013	44
Accumulated amortization and write-downs, Dec. 31, 2012	30
Amortization and write-downs 2013	3
Accumulated amortization and write-downs, Dec. 31, 2013	33
Net carrying amounts, Dec. 31, 2013	11
Net carrying amounts, Dec. 31, 2012	12

(12) Property, Plant and Equipment

Property, Plant and Equipment

	Land and buildings	Furniture, fixtures and other equipment	Advance payments and assets under construction	Total
	€ million	€ million	€ million	€ million
Gross carrying amounts, Dec. 31, 2012	59	15	1	75
Additions	1	1	–	2
Retirements	–	–	(1)	(1)
Gross carrying amounts, Dec. 31, 2013	60	16	–	76
Accumulated depreciation and write-downs, Dec. 31, 2012	58	7	–	65
Depreciation and write-downs 2013	1	–	–	1
Accumulated depreciation and write-downs, Dec. 31, 2013	59	7	–	66
Net carrying amounts, Dec. 31, 2013	1	9	–	10
Net carrying amounts, Dec. 31, 2012	1	8	1	10

(13) Investments

Investments

	Investments in subsidiaries	Loans to subsidiaries	Investments in other affiliated companies	Other loans	Total
	€ million	€ million	€ million	€ million	€ million
Gross carrying amounts, Dec. 31, 2012	33,652	65	69	748	34,534
Additions	998	–	–	–	998
Retirements	(5)	–	–	–	(5)
Gross carrying amounts, Dec. 31, 2013	34,645	65	69	748	35,527
Accumulated write-downs, Dec. 31, 2012	141	14	68	1	224
Write-downs 2013	5	–	–	–	5
Write-ups	–	(2)	–	–	(2)
Accumulated write-downs, Dec. 31, 2013	146	12	68	1	227
Net carrying amounts, Dec. 31, 2013	34,499	53	1	747	35,300
Net carrying amounts, Dec. 31, 2012	33,511	51	1	747	34,310

The additions to shares in subsidiaries totaling €998 million in 2013 included €748 million from capital increases at Bayer Hispania, S.L., Spain (€718 million), Currenta GmbH & Co. OHG, Germany (€25 million) and Bayer Parsian AG, Iran (€5 million). A further €240 million comprised a retrospective purchase price adjustment for the investment in Bayer Pharma AG (formerly Bayer Schering Pharma AG) as a result of the court review initiated by former minority shareholders. In these proceedings, which comprised a review of the adequacy of the compensation payments made in connection with the control and profit and loss agreement concluded in 2006, the court ruled that the payments made by Bayer at the time should be increased by about 40%. A further €6 million related to the acquisition of shares in AgraQuest de México S.A. de C.V., Mexico, while the subsequent transfer of these shares to Bayer Gesellschaft für Beteiligungen mbH comprised an addition and retirement of €4 million in each case. A further retirement of €1 million related to the repurchase of shares by Bayer CropScience Limited, India.

The write-downs of €5 million on shares in subsidiaries in 2013 related to Bayer Parsian AG, Iran.

A list of Bayer AG's direct and indirect holdings can be found in Note 36 and forms part of these Notes.

In 2008 Bayer AG established a repayable "effective initial fund" of €800 million for Bayer-Pensionskasse VVaG, which was increased to €1,600 million in 2012. €595 million of this has now been paid to the pension fund. The loans made by the effective initial fund are interest-bearing, but interest is only payable when the contractually agreed terms take effect. Interest must be deferred if it would result in the pension fund reporting a net loss. Loans granted by the effective initial fund are contained in other loans.

(14) Trade Accounts Receivable

Trade Accounts Receivable

	Dec. 31, 2012	Dec. 31, 2013
	€ million	€ million
Accounts receivable from subsidiaries	27	33
Accounts receivable from other customers	3	2
	30	35

(15) Accounts Receivable from Subsidiaries

Accounts receivable from subsidiaries mainly comprise financial receivables, for example, in connection with loans or overnight funds, and receivables relating to profit transfers from subsidiaries that form a fiscal entity with Bayer AG.

(16) Other Assets

The other assets include €55 million (2012: €64 million) for assets which only arose from a legal viewpoint after year end. These were almost exclusively accrued interested totaling €54 million (2012: €63 million). Further, other assets contained €130 million (2012: €174 million) in claims for tax refunds, €39 million (2012: €26 million) in premiums paid to conclude options transactions, €11 million (2012: €10 million) in payroll receivables, €8 million (2012: €9 million) in current receivables from loans, and a large number of other items.

(17) Receivables and Other Assets Maturing in more than one Year

Total receivables and other assets amounting to €2,001 million (2012: €640 million) included €77 million (2012: €104 million) due in more than one year. Of this total, €62 million (2012: €67 million) comprises receivables from subsidiaries and €15 million (2012: €37 million) comprises other assets.

(18) Securities

As in the previous year, the securities recognized as of December 31, 2013 comprised zero-bonds issued by the German government due within a short period.

(19) Cash and Cash Equivalents

Cash and cash equivalents include €1 million (2012: €1 million) to settle civil law compensation claims relating to antitrust violations in the fields of rubber, polyester polyols and urethanes in Canada. Bayer has placed this amount in an escrow account administered in Canada pending acceptance or judicial confirmation of the settlements offered.

(20) Deferred Charges

Deferred charges as of December 31, 2013 include unamortized discounts totaling €4 million pertaining to bonds issued by Bayer AG between 2002 and 2008. The amount of €6 million recognized at the beginning of the year was diminished during the year by amortization of €2 million.

The remaining deferred charges are fees for credit lines, prepaid premiums for business insurance and other accrued charges.

Notes

(21) Surplus from Offsetting

(21) Surplus from Offsetting

Obligations relating to credit balances on employees' long-term worktime accounts and pension commitments are secured by assets invested with Bayer Pension Trust e.V., Leverkusen, Germany, through several contractual trust arrangements (CTAs). These assets may only be used for the purpose of meeting these obligations and are protected from other creditors in the event that the employer becomes insolvent. They were offset against the underlying obligations. Where this results in a positive difference, this is recorded as a surplus from offsetting under assets, otherwise it is shown as a liability. In 2013 the offset resulted in a positive difference of €136.7 million (2012: €131.4 million), of which €1.3 million (2012: €1.0 million) relates to obligations arising from long-term worktime accounts and €135.4 million (2012: €130.4 million) to pension commitments.

Surplus from Offsetting

	Dec. 31, 2012	Dec. 31, 2013
	€ million	€ million
Settlement value of obligations relating to credit balances on employees' long-term worktime accounts	1.4	2.0
Fair value of assets invested with Bayer Pension Trust	2.4	3.3
Differences between assets and obligations relating to long-term worktime accounts (surplus from offsetting)	1.0	1.3
Acquisition cost of assets invested with Bayer Pension Trust	2.2	3.2

	Dec. 31, 2012	Dec. 31, 2013
	€ million	€ million
Settlement value of pension commitments	390.8	422.5
Fair value of assets invested with Bayer Pension Trust	521.2	557.9
Differences between assets and obligations relating to pension commitments (surplus from offsetting)	130.4	135.4
Acquisition cost of assets invested with Bayer Pension Trust	514.7	552.0

In 2013 the assets comprised principally liquid fixed-income bonds, shares, real estate and alternative investments held indirectly via intermediate investment vehicles. The investments are measured at fair value.

(22) Equity

Changes in equity in 2013 were as follows:

Equity

	Dec. 31, 2012	Dividend for 2012	Net income	Dec. 31, 2013
	€ million	€ million	€ million	€ million
Capital stock	2,117	–	–	2,117
Capital reserve	6,176	–	–	6,176
Other retained earnings	4,024	–	761	4,785
Distributable profit	1,571	(1,571)	1,737	1,737
	13,888	(1,571)	2,498	14,815

The capital stock of Bayer AG was unchanged from the previous year and amounted to €2,116,986,388.48, divided into 826,947,808 registered shares and fully paid in. Each share confers one voting right.

Authorized capital of €530,000,000 was approved by the Annual Stockholders' Meeting on April 30, 2010. It expires on April 29, 2015. It can be used to increase the capital stock by issuing new no-par registered shares against cash contributions and/or contributions in kind, but capital increases against contributions in kind may not exceed a total of €423,397,120 (Authorized Capital I). Stockholders must normally be granted subscription rights. However, subject to the approval of the Supervisory Board, the Board of Management is authorized to exclude subscription rights for the stockholders with respect to any excess shares remaining after rights have been allocated (fractional amounts) and also to the extent necessary to grant subscription rights for new shares to holders of bonds with optional or mandatory warrants or conversion rights issued by Bayer AG or its Group companies who would be entitled to subscription rights upon the exercise of such optional or mandatory warrants or conversion rights. In addition, the Board of Management is authorized to exclude stockholders' subscription rights, subject to the approval of the Supervisory Board, in cases where an increase in capital against contributions in kind is carried out for the purpose of acquiring companies, parts of companies, participating interests in companies or other assets. The amount of capital stock represented by shares issued in the above cases against cash contributions and/or contributions in kind without granting subscription rights to the stockholders must not exceed a total of 20% of the capital stock that existed on the date the authorized capital was approved by the Annual Stockholders' Meeting.

Further authorized capital was also approved by the Annual Stockholders' Meeting on April 30, 2010. The Board of Management is authorized until April 29, 2015 to increase the capital stock, subject to the approval of the Supervisory Board, by up to a total amount of up to €211,698,560 by issuing new no-par registered shares against cash contributions (Authorized Capital II). Under the resolution adopted by the Annual Stockholders' Meeting, stockholders must normally be granted subscription rights. However, the Board of Management is authorized to exclude subscription rights for stockholders with respect to one or more capital increases out of the Authorized Capital II, subject to the approval of the Supervisory Board, provided that such capital increase or the total of such capital increases does not exceed 10% of the capital stock existing at the time this authorization becomes effective or the time it is exercised, for purposes of issuing new shares against cash contributions at a price that is not significantly below the market price of the company's shares of the same category that are already listed on the stock exchange on the date the issue price is finally determined. Any treasury shares acquired on the basis of an authorization of the Stockholders' Meeting and sold pursuant to Section 71 Paragraph 1 No. 8 Sentence 5 of the German Stock Corporation Act in conjunction with Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act during the term of this authorization shall count toward the above 10% limit. Shares issued or to be issued to service bonds with optional or mandatory warrants or conversion rights shall also count toward this limit where such bonds were issued during the term of this authorization and stockholders' subscription rights were excluded by application of Section 186 Paragraph 3 Sentence 4 AktG.

Neither of these authorized capital amounts has been utilized so far.

The Annual Stockholders' Meeting on April 30, 2010 approved the creation of Conditional Capital 2010, authorizing a conditional increase of up to €211,698,560 in the capital stock through the issuance of up to 82,694,750 shares. This conditional capital increase may be used to grant registered shares to the holders of warrant bonds, convertible bonds, *jouissance* rights (*Genussrechte*) or profit participation bonds (or combinations of these instruments) with optional or mandatory warrants or conversion rights, issued by Bayer AG or a Group company in which Bayer AG holds a direct or indirect interest of at least 90% on or before April 29, 2015 in accordance with authorizations granted by the Annual Stockholders' Meeting of April 30, 2010. The authorization to issue such instruments is limited to a total nominal amount of €6 billion. In principle, stockholders have a statutory right to be granted subscription rights to such instruments. However, the Board of Management is authorized to exclude subscription rights, subject to the approval of the Supervisory Board, if the instruments are issued at a price that is not significantly below the market price. The limit of 10% of the capital stock for the exclusion of stockholders' subscription rights in analogous application of Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act may not be exceeded. Both shares and other such instruments shall count toward this limit if they were issued without granting subscription rights to the stockholders in direct or analogous application of Section 186 Paragraph 3 Sentence 4 of the German Stock Corporation Act.

The Conditional Capital has not be utilized so far.

Absent a further resolution of the Annual Stockholders' Meeting on the exclusion of stockholders' subscription rights, the Board of Management will only use the existing authorizations to increase the capital stock out of the Authorized Capital or the Conditional Capital – without granting subscription rights to the stockholders – up to a total amount of 20% of the capital stock that existed when the respective resolutions were adopted by the Annual Stockholders' Meeting on April 30, 2010. This 20% limit includes all issuances or sales of shares or of bonds with optional or mandatory warrants or conversion rights that are effected without granting subscription rights to the stockholders.

INFORMATION ON AMOUNTS BARRED FROM DISTRIBUTION PURSUANT TO SECTION 268 PARAGRAPH 8 GERMAN COMMERCIAL CODE (HGB)

To secure pension obligations and credit balances on employees' long-term worktime accounts, funds have been transferred to Bayer Pension Trust e.V., Leverkusen, Germany, under several contractual trust arrangements. They are measured at fair value. Their fair value on the closing date was €761 million, which was €8 million above the acquisition costs of €753 million. Since Bayer AG has freely available retained earnings of €4,785 million, there is no restriction on the use of the distributable profit of €1,737 million.

NOTIFICATIONS OF DIRECT AND INDIRECT STOCKHOLDINGS PURSUANT TO SECTION 21 PARAGRAPH 1 SECURITIES TRADING ACT (WPHG)

Between the start of the fiscal year and the closing date, we received the following notification of stockholdings in Bayer AG pursuant to Section 21 Paragraph 1 of the German Securities Trading Act (WpHG). In cases where stockholdings reached, exceeded or fell below the thresholds set out in this legislation on several occasions, only the most recent notification is mentioned:

- On November 1, 2013, BlackRock Advisors Holdings, Inc., New York, U.S.A, notified us pursuant to Section 21 Paragraph 1 of the German Securities Trading Act (WpHG) that its voting rights in Bayer Aktiengesellschaft, Leverkusen, Germany, exceeded the 5% threshold on October 29, 2013 and amounted on that date to 5.001% (41,354,257 voting rights). 5.001% of the voting rights (41,354,257 voting rights) are attributable to this company pursuant to Section 22 Paragraph 1 Sentence 1, No. 6 in conjunction with Section 22 Paragraph 1 Sentence 2 WpHG.

In addition to the above notification, in previous years we received further notifications pursuant to Section 21 Paragraph 1 WpHG relating to the existence of a stake of at least 3% in the voting rights of Bayer AG, and have not received notification of any change until the closing date.

- On October 15, 2012, BlackRock Financial Management, Inc., New York, U.S.A., notified us that its voting rights in Bayer AG exceeded the 5% threshold on November 18, 2010 and amounted on that date to 5.0003% (41,350,004 voting rights). All of these voting rights were attributable to BlackRock Financial Management, Inc., pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.
- On October 15, 2012, BlackRock Holdco 2, Inc., Wilmington, U.S.A., notified us that its voting rights in Bayer AG exceeded the 5% threshold on November 18, 2010 and amounted on that date to 5.0003% (41,350,004 voting rights). All of these voting rights were attributable to BlackRock Holdco 2, Inc., pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.
- On September 6, 2012, The Capital Group Companies, Inc., Los Angeles, U.S.A., notified us that its voting rights exceeded the 3% and 5% thresholds on September 1, 2012 and, on that date, amounted to 6.48% (53,584,902 voting rights). All of these voting rights were attributable to The Capital Group Companies, Inc., pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.

This notification of voting rights of The Capital Group Companies, Inc. was solely based on an internal reorganization of The Capital Group Companies, Inc., and its group companies. Notifications of voting rights of Capital Research and Management Company were not affected by this notification.

- On March 27, 2012, BR Jersey International Holdings, L.P., St. Helier, Jersey, notified us that its voting rights had exceeded the 3% threshold on March 19, 2012 and, on that date, amounted to 4.01% (33,192,862 voting rights). All of these voting rights were attributable to BR Jersey International Holdings, L.P., pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.
- On March 27, 2012, BlackRock International Holdings, Inc., New York, U.S.A., notified us that its voting rights exceeded the 3% threshold on March 19, 2012 and amounted on that date to 4.01% (33,192,862 voting rights). All of these voting rights were attributable to BlackRock International Holdings, Inc., pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.
- On March 27, 2012, BlackRock Group Limited, London, U.K., notified us that its voting rights exceeded the 3% threshold on March 19, 2012 and amounted on that date to 3.81% (31,513,432 voting rights). All of these voting rights were attributable to BlackRock Group Limited pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.
- On September 10, 2010, BlackRock, Inc., New York, U.S.A., notified us that its voting rights in Bayer AG exceeded the 5% threshold on September 6, 2010 and amounted on that date to 5.03% (41,569,101 voting rights). All of these voting rights were attributable to BlackRock, Inc., pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 in conjunction with Sentence 2 WpHG.
- On December 1, 2009, Capital Research and Management Company, Los Angeles, U.S.A., notified us that its voting rights had dropped below the 10% threshold on November 26, 2009 and, on that date, amounted to 9.97% (82,483,440 voting rights). These voting rights were attributable to Capital Research and Management Company pursuant to Section 22 Paragraph 1 Sentence 1 No. 6 WpHG. Of this 9.97% of the voting rights, 4.16% (corresponding to 34,400,827 voting rights) were held by EuroPacific Growth Fund, Los Angeles, U.S.A., a stockholder who therefore held 3% or more of the voting rights of Bayer AG.

(23) Provisions for Pensions

This item includes provisions for current and future pension entitlements.

It also includes commitments to former employees of the business areas and service companies hived down into separate legal entities who retired before July 1, 2002 or who left the company before this date and have vested pension rights. The respective companies reimburse Bayer AG for these expenses.

Some obligations arising from pension commitments are secured by assets invested with Bayer Pension Trust e.V., Leverkusen, Germany, under several contractual trust arrangements. These assets may only be used for the purpose of meeting these obligations and are protected from other creditors in the event of insolvency of the employer. They are offset against the underlying obligations. Where this results in a positive difference, this is recorded as a surplus from offsetting under assets, otherwise it is shown as a liability.

In 2013 the assets comprised principally liquid fixed-income bonds, shares, real estate and alternative investments held indirectly via intermediate investment vehicles. The investments are measured at fair value.

Provision for Pensions

	Dec. 31, 2012	Dec. 31, 2013
	€ million	€ million
Settlement value of pension commitments*	2,405.3	2,362.3
Fair value of assets invested with Bayer Pension Trust	188.2	199.9
Net value of pension commitments*	(2,217.1)	(2,162.4)
Acquisition cost of assets invested with Bayer Pension Trust	188.2	197.8

* 2012 figure restated

In 2012, commitments totaling €5.9 million relating to early retirement agreements and other personnel-related commitments were included in this item alongside provisions for pensions. These have been reclassified to other provisions. The prior-year figures have been restated.

(24) Other Provisions

Other Provisions

	Dec. 31, 2012	Dec. 31, 2013
	€ million	€ million
Provisions for taxes	378	682
Miscellaneous provisions*	124	132
	502	814

* 2012 figure restated

Miscellaneous provisions include amounts for environmental protection measures, vacations, part-time working by older employees, incentive payments, long-service awards to employees, the costs of preparing and auditing the annual financial statements, and other uncertain liabilities. It also includes impending losses, for example on foreign exchange derivatives.

Commitments entered into under early retirement agreements, which were included in provisions for pensions and other post-employment benefits up to and including 2012, are included in other provisions for the first time. The prior-year figures have therefore been restated by €5.9 million.

As of December 31, 2013, provisions of €1 million (2012: €1 million) existed for commitments arising from compensation claims relating to antitrust violations in the fields of rubber, polyester polyols and urethanes.

(25) Bonds and Promissory Notes

In addition to promissory notes totaling €370 million (2012: €370 million), bonds with a nominal value of €1,817 million (2012: €2,817 million) had been issued as of December 31, 2013. They comprised:

Bonds

	Nominal value	Stated rate	Effective rate	Dec. 31, 2012	Dec. 31, 2013
		%	%	€ million	€ million
EMTN bond 2006/2013	EUR 1,000 million	4.500	4.621	1,000	–
EMTN bond 2006/2018	GBP 250 million	5.625	5.774	369	369
EMTN bond 2006/2018 (increase)	GBP 100 million	5.625	5.541	148	148
Hybrid bond 2005/2015*	EUR 1,300 million	5.000**	5.155	1,300	1,300
				2,817	1,817

* redeemable at three months notice from 2015

** fixed interest rate until 2015, thereafter floating rate based on 3 month Euribor plus 280 basis points

(26) Trade Accounts Payable

Trade Accounts Payable

	Dec. 31, 2012	Dec. 31, 2013
	€ million	€ million
Payables to subsidiaries	7	23
Payables to other suppliers	15	9
	22	32

(27) Payables to Subsidiaries

The payables to subsidiaries mainly comprise financial liabilities such as loans and overnight funds made available to Bayer AG by subsidiaries.

(28) Miscellaneous Liabilities

Miscellaneous liabilities exist solely toward third parties and comprise €945 million (2012: €150 million) from the issuance of a commercial paper, €101 million (2012: €129 million) in accrued interest, €23 million (2012: €13 million) in third parties' short-term investments with the company and €16 million (2012: €26 million) in premiums received on options. Tax liabilities amount to €4 million (2012: €4 million) and comprise employees' income and church taxes held for paying over to the authorities. In 2012, there were social security liabilities totaling €4 million to the German pension benefit guarantee fund (Pensions-Sicherungs-Verein).

In addition, miscellaneous liabilities contain an obligation relating to a retrospective purchase price adjustment for the investment in Bayer Pharma AG (formerly Bayer Schering Pharma AG) and the associated interest. This liability totaling €324 million results from a court review initiated by former minority shareholders of Bayer Pharma AG.

(29) Further Information on Other Liabilities

The residual maturities of liabilities are as follows:

Maturity Structure of Other Liabilities

	Dec. 31, 2012			Dec. 31, 2013		
	Maturing in 2013	Maturing in 2014–2017	Maturing after 2017	Maturing in 2014	Maturing in 2015–2018	Maturing after 2018
	€ million	€ million	€ million	€ million	€ million	€ million
Bonds and promissory notes	1,000	1,625	562	250	1,892	45
Liabilities to banks	1	–	–	42	–	–
Trade accounts payable	22	–	–	32	–	–
Payables to subsidiaries	15,863	11	–	16,828	155	–
Miscellaneous liabilities	305	15	11	1,095	330	–
	17,191	1,651	573	18,247	2,377	45

The miscellaneous liabilities as of December 31, 2013 include €103 million (2012: €131 million) in liabilities that only arose from a legal viewpoint after year end. Nearly the entire amount (€101 million (2012: €129 million)) comprises accrued interest liabilities.

Other Information

(30) Contingent Liabilities

Contingent liabilities include sureties of €90 million (2012: €102 million), including €89 million (2012: €101 million) for subsidiaries.

Bayer AG has also assumed debt guarantees for several Group companies. Guarantees for third-party obligations are negligible, with one exception: Silver Birch Trustees Ltd. This comprises a guarantee to secure pension obligations to Bayer employees in the U.K. Overall, debt guarantees amounted to €4,310 million (2012: €4,883 million) and comprised the following:

Debt Guarantees

	Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2013
	Nominal amount	€ million	Nominal amount	€ million
Guarantees for Group companies				
Bayer Antwerpen NV, Belgium				
– Floating-rate loan towards Intel International Finance CVBA, maturing in 2016	–	–	USD 202 million	146
Bayer Capital Corporation B.V., Netherlands				
– 4.625% EMTN Notes, maturing in 2014	EUR 1,300 million	1,300	EUR 1,300 million	1,300
– Liabilities to banks	EUR 950 million	950	EUR 950 million	950
Bayer Corporation, U.S.A.				
– 7.125% Notes, maturing in 2015	USD 200 million	152	USD 200 million	145
– 6.650% Notes, maturing in 2028	USD 350 million	265	USD 350 million	254
– Commercial paper	USD 258 million	196	USD 5 million	4
– Liabilities to banks	USD 81 million	61	USD 83 million	60
– Sale-and-lease-back agreement Pass Through Trust	USD 252 million	191	USD 17 million	12
Bayer Holding Ltd., Japan				
– Floating-rate EMTN bond, maturing in 2013	JPY 10 billion	88	–	–
– 1.459% EMTN bond, maturing in 2017	JPY 10 billion	88	JPY 10 billion	69
– 0.816% EMTN bond, maturing in 2017	JPY 30 billion	264	JPY 30 billion	207
– 3.575% EMTN bond, maturing in 2018	JPY 15 billion	132	JPY 15 billion	104
– 0.594% EMTN bond, maturing in 2019	–	–	JPY 10 billion	69
Bayer MaterialScience (China) Company Limited, China				
– Liabilities to banks	CNY 5,642 million	686	CNY 4,568 million	547
Bayer MaterialScience Limited, India				
– Liabilities to banks	INR 3,500 million	48	INR 3,500 million	41
Bayer Nordic SE, Finland				
– Floating-rate EMTN bond, maturing in 2016	–	–	EUR 200 million	200
Bayer Pharma AG, Germany				
– Liabilities to banks	EUR 128 million	128	–	–
– Liabilities to the Federal State of Lower Saxony	–	–	EUR 3 million	3
Currenta GmbH & Co. OHG, Germany				
– Liabilities to the Federal State of North Rhine-Westphalia	EUR 53 million	53	EUR 50 million	50
Guarantees for other Group companies		–		1
Guarantees for third parties				
Silver Birch Trustees Ltd., U.K.	GBP 229 million	281	GBP 116 million	139
Guarantees for other third parties		–		9
		4,883		4,310

With only slight exceptions, the sureties and debt guarantees are issued almost entirely for the benefit of subsidiaries. Insofar as we are aware, all of these companies will be able to meet the underlying liabilities, so utilization is not expected.

In addition to the contingent liabilities listed above, Bayer AG has given an assurance to Bayer Antwerpen nv, Belgium, that at the latter's request it will purchase loans of up to US\$4 billion granted by Bayer Antwerpen to Bayer Corporation, U.S.A. This obligation will be assumed if Bayer Corporation is not required to repay the loans under the terms of the loan agreement with Bayer Antwerpen nv. This agreement ended in 2012 and now only applies for loans granted up to June 15, 2012. As of December 31, 2013, the loans covered by this assurance still amounted to US\$0.3 billion (equivalent to €0.22 billion; 2012: US\$1.36 billion/€1.03 billion).

(31) Other Financial Commitments

In addition to provisions, other liabilities and contingent liabilities, there are also other financial commitments.

Non-discounted future payments relating to operating leases total €8 million (2012: €8 million) and result from lease and rental agreements with Bayer Real Estate GmbH, a wholly owned subsidiary of Bayer AG. These payments are due in 2014.

In 2008 the establishment of an "effective initial fund" totaling €800 million was agreed with Bayer-Pensionskasse. This was due to the rise in the present and future life expectancy of those insured with this pension fund. The effective initial fund entails the granting of a repayable, interest-bearing loan to Bayer-Pensionskasse as required. In 2012, it was increased by €800 million to €1,600 million. Following payment of a total of €595 million, there is a commitment to pay €1,005 million in the future.

(32) Legal Risks

As the parent of a global group of companies with a heterogeneous business portfolio, Bayer AG is exposed to numerous risks, particularly in the areas of product liability, competition and antitrust law, patent disputes, tax law and environmental protection. The outcome of any current or future proceedings cannot be predicted with certainty. It is therefore possible that legal or regulatory judgments could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could significantly affect our revenues and earnings.

Legal proceedings currently considered to involve material risks are outlined below. The legal proceedings referred to do not necessarily represent an exhaustive list. The risks described are those to which Bayer AG is exposed either directly, or indirectly through subsidiaries with which it has profit and loss transfer agreements. Further legal risks existing in the Bayer Group are described in the Notes to the consolidated financial statements of the Bayer Group.

HealthCare

PRODUCT-RELATED LITIGATION

Yasmin™/YAZ™: As of February 10, 2014, the number of claimants in the pending lawsuits and claims in the United States totaled about 4,600 (excluding claims already settled). Claimants allege that they have suffered personal injuries, some of them fatal, from the use of Bayer's drospirenone-containing oral contraceptive products such as Yasmin™ and/or YAZ™ or from the use of Ocella™ and/or Gianvi™, generic versions of Yasmin™ and YAZ™, respectively, marketed by Barr Laboratories, Inc. in the United States. Claimants seek compensatory and punitive damages, claiming, in particular, that Bayer knew, or should have known, of the alleged risks and should be held liable for having failed to disclose them or adequately warn users. All cases pending in U.S. federal courts have been consolidated in a multidistrict litigation proceeding for common pre-trial management.

A few State Attorney Generals in the U.S. are investigating the alleged off-label promotion of Yasmin™ and YAZ™ as well as the alleged failure to warn about an alleged increased risk of developing blood clots in violation of consumer protection statutes. One Attorney General has filed an action against Bayer.

As of February 10, 2014, 13 class actions had been served upon Bayer in Canada and one in Israel.

As of February 10, 2014, Bayer had reached agreements, without admission of liability, to settle the claims of approximately 8,250 claimants in the U.S. for a total amount of about US\$1.69 billion. Bayer has only been settling claims in the U.S. for venous clot injuries (deep vein thrombosis or pulmonary embolism) after a case-specific analysis of medical records on a rolling basis. Such injuries are alleged by about 1,950 of the pending unsettled claimants. Bayer will continue to consider the option of settling individual claims for venous clot injuries in the U.S. on a case-by-case basis.

In March 2013, Bayer agreed to settle, without admission of liability, lawsuits in which plaintiffs allege a gallbladder injury for a total maximum aggregate amount of US\$24 million. As of February 10, 2014, about 8,800 plaintiffs had decided to participate in the settlement, which represents more than 95% (90% participation required) of the eligible plaintiffs, so the settlement will go forward.

Additional lawsuits are anticipated. Bayer believes that it has meritorious defenses and will continue to defend itself vigorously against all claims that are not considered for settlement. Bayer has taken appropriate accounting measures within the Bayer Group for anticipated defense costs and for agreed and anticipated future settlements based on the information currently available and based on the number of pending and estimated future claims alleging venous clot injuries. Bayer has revised the accounting measures taken for the entire Yasmin™/YAZ™ complex for the annual financial statements to reflect anticipated future cases and legal and defense costs.

Mirena™: As of February 10, 2014, lawsuits of approximately 1,450 users of Mirena™, a levonorgestrel-releasing intrauterine system providing long-term contraception, had been served upon Bayer in the U.S. Most of the cases pending in U.S. federal courts have been consolidated in a multidistrict litigation proceeding for common pre-trial management. Additional lawsuits are anticipated. Plaintiffs allege personal injuries resulting from the use of Mirena™, including perforation of the uterus or ectopic pregnancy, and seek compensatory and punitive damages. Plaintiffs claim, inter alia, that Mirena™ is defective and that Bayer knew or should have known of the risks associated with it and failed to adequately warn its users. As of February 10, 2014, four class actions relating to Mirena™ had been served upon Bayer in Canada. Bayer believes it has meritorious defenses and intends to defend itself vigorously. Based on the information currently available, Bayer has taken appropriate accounting measures within the Bayer Group for anticipated defense costs.

In connection with the above proceedings concerning Yasmin™/YAZ™ and Mirena™, Bayer is insured against product liability risks to the extent customary in the industry. However, the accounting measures taken with regard to the Yasmin™/YAZ™ claims exceed the available insurance coverage.

COMPETITION LAW PROCEEDINGS

Cipro™: Since the year 2000, multiple class action lawsuits against Bayer involving Cipro™, a medication used in the treatment of infectious diseases, have been pending in the United States. The plaintiffs sued Bayer and other defendants, alleging that a settlement to end patent litigation reached in 1997 between Bayer and Barr Laboratories, Inc. violated antitrust regulations. All actions filed in federal courts have been dismissed. The federal litigation has ended. A class action brought by indirect purchasers of Cipro™ in California was settled by Bayer, without admission of liability, in June 2013. The agreement became final in December 2013. With the conclusion of the class action in California, only one action, filed in Kansas, remains active. Bayer believes that it has meritorious defenses and intends to defend itself vigorously. Bayer believes the risks remaining in this litigation are no longer material.

PATENT DISPUTES

Beyaz™/Safyral™: In 2013, Bayer received two notices from Watson Laboratories, Inc. that Watson has filed Abbreviated New Drug Applications with a Paragraph IV certification ("ANDA IV") seeking approval of generic versions of both Beyaz™ and Safyral™, Bayer's oral contraceptives containing folate, in the United States. In response, Bayer filed two suits against Watson in U.S. federal court for infringement of the same patent. The lawsuits were consolidated.

Yasmin™/Yasminelle™/YAZ™: In 2011, an opposition division of the European Patent Office revoked a formulation patent ("dissolution") for Yasmin™, Yasminelle™ and YAZ™. In November 2013, a board of appeal of the European Patent Office dismissed Bayer's appeal. The revocation of the patent is now final. The other formulation patent ("micronization") for Yasmin™, Yasminelle™ and YAZ™ had already been revoked by the European Patent Office and that decision is also final.

Finacea™: In March 2013, Bayer filed a patent infringement suit in a U.S. federal court against Glenmark Generics Ltd. In January 2013, Bayer had received a notice from Glenmark that Glenmark had filed an ANDA IV seeking approval of a generic version of Bayer's Finacea™ topical gel in the United States.

Staxyn™: In April 2012, Bayer filed a patent infringement suit in a U.S. federal court against Watson Laboratories, Inc., and in May 2013 a similar suit against Par Pharmaceutical, Inc., and Par Pharmaceutical Companies, Inc. In 2012, Bayer had received notice of an ANDA IV pursuant to which Watson seeks approval to market a generic version of Bayer's erectile dysfunction treatment Staxyn™ prior to patent expiration in the United States. In April 2013, Bayer had received a similar notice from Par Pharmaceutical. Staxyn™ is an orodispersible (orally disintegrating) formulation of Levitra™. Both drug products contain the same active ingredient, which is protected in the U.S. by two patents expiring in 2018.

Bayer believes it has meritorious defenses in the above patent disputes and intends to defend itself vigorously.

FURTHER LEGAL PROCEEDINGS

Bayer Pharma AG former shareholder litigation: In 2008, the squeeze-out of the former minority shareholders of Bayer Pharma AG (formerly named Bayer Schering Pharma AG), Berlin, Germany, became effective. As usual in such cases, several shareholders have initiated special court proceedings to review the adequacy of the compensation payments made by Bayer for the transfer of the shares in the squeeze-out. In another court proceeding initiated by former minority shareholders of Bayer Pharma AG (formerly Bayer Schering Pharma AG) to review the adequacy of compensation payments made by Bayer in connection with the 2006 domination and profit and loss transfer agreement, the District Court (Landgericht) of Berlin decided in April 2013 that the compensation paid by Bayer at the time should be increased by about 40%. Bayer disagrees with this decision and has appealed. Appropriate accounting measures have been taken for this proceeding as well as for the parallel proceeding relating to the squeeze-out of the former minority shareholders.

CropScience

Proceedings involving genetically modified rice: Several thousand plaintiffs have sued a number of Bayer Group companies before U.S. federal and state courts in connection with genetically modified rice. Plaintiffs have alleged that they suffered economic losses after traces of genetically modified rice were identified in samples of conventional long-grain rice grown in the U.S. Without acknowledging liability, Bayer has reached settlement agreements with a majority of the plaintiffs, including U.S. long-grain rice growers and non-grower entities, such as rice importers and exporters, rice mills or rice dryers and rice seed sellers, for a total amount of approximately US\$ 1.026 billion. Bayer is aware of 24 unsettled claims in the U.S. Bayer intends to continue to defend itself vigorously in all cases in which reasonable resolutions are not possible.

One of the remaining cases was brought by BASF to recover damages allegedly resulting from the contamination of its Clearfield 131 rice variety. In that case, Bayer also filed a claim against BASF alleging that BASF was negligent in its handling of Clearfield 131 and that its negligence contributed to the damages allegedly suffered by rice growers, rice mills and others in this litigation. Bayer seeks reimbursement from BASF for a portion of the amount that Bayer has paid in settlements. Bayer's claim against BASF was dismissed by the trial court of first instance in a decision that is currently on appeal.

Bayer has established appropriate provisions within the Bayer Group for the settlement program as well as for legal and defense costs.

MaterialScience

Partial exemption from the surcharge under the Renewable Energy Act: Under the German Renewable Energy Act (Erneuerbare-Energien-Gesetz) of 2012 ("EEG 2012"), all consumers of electricity normally have to pay a surcharge which is used to promote the development of renewable energies in Germany ("EEG surcharge"). Some energy-intensive companies are partially exempted from this surcharge. In December 2013, the European Commission launched a formal investigation to determine whether this partial exemption violates European Union rules on state aid (government aid). Should this investigation result in the exemption provisions of EEG 2012 being declared invalid retroactively, Bayer could face claims of up to approximately €172 million for the year 2013. Bayer believes there are good arguments to support the position that the partial exemption from the EEG surcharge is admissible under E.U. law and intends to defend itself vigorously against any potential claims for further payments.

(33) Derivatives/Micro-hedges

In the course of their business, Bayer AG and companies in the Bayer Group are exposed to foreign exchange, interest rate and price risks, which are hedged principally by means of derivatives. Most of these are over-the-counter (OTC) instruments. Derivative financial instruments are employed on the basis of uniform guidelines and are subject to strict internal controls. Apart from a few low-value exceptions, their use is confined to the hedging of the Bayer Group's operating business and of the related investments and financing transactions. For currency hedging, forward exchange contracts, currency options and cross-currency interest-rate swaps are mainly used. Interest-rate swaps and interest-rate futures are also used to hedge interest rates. Share options are used to hedge fluctuations in the value of commitments to employees under stock-based compensation programs. On the commodities markets, Bayer AG concludes derivatives agreements with external counterparties to hedge the price of raw materials and energy required by Group companies to conduct their operating business. Bayer's activities in stock options and on the commodities markets were scaled back further in 2013 and are now negligible.

The main objective of using derivatives is to reduce fluctuations in cash flows and earnings associated with changes in interest rates, foreign exchange rates, share prices and market prices.

There is a risk that the value of derivatives could change as a result of fluctuations in underlying parameters such as exchange rates, interest rates, share prices or market prices. Where derivatives are designated as hedges, possible declines in their value are offset by corresponding increases in the value of the hedged contracts.

Where derivatives have a positive fair value, a credit or default risk arises from the fact that the counterparties may not be able to meet their obligations. To minimize this risk, we assign contract limits to the individual banks according to their creditworthiness.

The notional amount of financial derivatives contracts concluded with external counterparties was €18.0 billion as of December 31, 2013 (2012: €17.3 billion). Back-to-back derivatives contracts in a notional amount of €13.8 billion (2012: €12.3 billion) were concluded with Group companies. The total notional amount of derivatives was €31.8 billion (2012: €29.6 billion). This amount includes hedge accounting items. The derivatives comprised the following:

Financial Derivatives

	Notional amount		Fair value		Carrying amount	
	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013
	€ million	€ million	€ million	€ million	€ million	€ million
Forward exchange contracts						
– positive fair values	9,338	8,320	265	373		
– negative fair values	8,733	9,191	(256)	(356)		
	18,071	17,511	9	17	(2)	(2)
Currency options						
– positive fair values	1,136	2,584	24	69		
– negative fair values	1,136	2,706	(24)	(67)		
	2,272	5,290	–	2	–	2
Cross-currency interest-rate swaps						
– positive fair values	1,346	1,726	64	114		
– negative fair values	1,863	2,243	(163)	(235)		
	3,209	3,969	(99)	(121)	–	–
Interest swaps						
– positive fair values	4,153	3,153	200	133		
– negative fair values	1,853	1,853	(88)	(63)		
	6,006	5,006	112	70	(9)	(6)
Share options						
– positive fair values	2	1	2	3		
– negative fair values	–	–	–	–		
	2	1	2	3	1	1
Commodity forward transactions						
– positive fair values	–	–	–	–		
– negative fair values	–	–	–	–		
	–	–	–	–	–	–
	29,560	31,777	24	(29)	(10)	(5)

FINANCIAL DERIVATIVES USED TO HEDGE CURRENCY RISKS

To hedge currency risks Bayer AG used currency contracts (forward exchange agreements and currency options) and cross-currency interest-rate swaps.

Hedging was focused on financial exposure. To hedge the currency risk arising from receivables and liabilities at Bayer AG and Group companies, Bayer AG concluded currency contracts with a notional value of €7.7 billion (2012: €6.1 billion) with external counterparties. They had a positive fair value of €109 million (2012: positive fair value of €27 million). Some of these contracts were passed on to Group companies. The notional value of these reciprocal internal transactions was €6.1 billion (2012: €4.2 billion) and they had a negative fair value of €92 million (2012: negative fair value of €18 million).

Where currency contracts concluded to hedge foreign currency receivables and liabilities at Group companies were passed on to these companies through internal contracts, they were combined with the underlying business transactions to form portfolio hedges. On the closing date, the external transactions had a positive fair value of €92 million (2012: positive fair value of €18 million), while the internal transactions had a negative fair value of €92 million (2012: negative fair value of €18 million). They are due in 2014 and are not recognized in the statement of financial position.

Overall, the positive fair value of currency contracts used to hedge financial exposures of Group companies in foreign currencies and for which no corresponding internal transactions were concluded, amounted to €17 million (2012: €9 million). Included in this amount are currency contracts with a negative fair value of €2 million (2012: negative fair value of €2 million). This amount is recognized in miscellaneous provisions under impending losses. Currency contracts with positive fair values of €19 million in 2013 (2012: €11 million) are not recorded in the statement of financial position. By contrast, option premiums paid and received of €24 million in each case are reflected in the statement of financial position. Foreign currency loans made to Bayer AG by Group companies and the currency contracts concluded to hedge them were combined to form micro-hedges. The – negative – carrying amount of the hedged loans was €811 million on the closing date (2012: €980 million). Their fair value was €6 million lower at €805 million (2012: €18 million lower). The corresponding external currency contracts had a negative fair value of €6 million (2011: negative fair value of €17 million). They are due in 2014 and were not recorded in the statement of financial position.

To hedge forecast foreign currency transactions at Group companies that are considered highly probable, external currency contracts with a notional value of €3.9 billion (2012: €4.6 billion) and a positive fair value of €175 million were concluded (2012: €103 million). They were offset by reciprocal transactions with Group companies with a notional value of €4.7 billion (2012: €5.4 billion) and had a negative fair value of €175 million at year end (2012: negative fair value of €103 million). Changes in the value of the corresponding internal and external contracts will cancel each other out when they are closed out between 2014 and 2018. These transactions are combined as portfolio hedges and, with the exception of option premiums paid and received of €27 million (2012: €51 million) in each case, are not reflected in the statement of financial position.

The notional value of other derivatives contracts was €0.4 billion (2012: €0). In a net view, their fair value was €2 million. There were no reciprocal transactions with Group companies. On the statement of financial position, option premiums paid (€3 million) are reflected in other assets while option premiums received (€1 million) are reflected in miscellaneous liabilities.

Cross-currency interest-rate swaps with a notional value of €0.5 billion (2012: €0.5 billion) were used principally to hedge foreign exchange risks from the GBP bonds issued in 2006. Including the corresponding interest accruals, they had a net negative fair value of €121 million (2012: negative fair value of €99 million). The cross-currency interest-rate swaps and bonds form a micro-hedge. The effectiveness of the cross-currency interest-rate swaps is tested prospectively using the critical term match method and retrospectively using the dollar offset method (= ratio offset method) to ensure that the values and cash flows of the transactions offset each other. As a consequence, the bonds were recognized as previously at their original cost of €517 million and the cross-currency interest-rate swaps, which are due in 2018, are not reflected in the financial statements prepared in accordance with German commercial law.

Other cross-currency interest-rate swaps with a notional value of €1.1 billion (2012: €0.7 billion) were concluded to hedge Group loans granted by Bayer Antwerpen NV, Belgium. As a result of back-to-back agreements with Bayer Antwerpen NV with a notional value of €1.1 billion (2012: €0.7 billion), the positive and negative fair values of the various micro-hedges formed according to the maturities of the agreements canceled each other out. Further, cross-currency interest-rate swaps with a notional value of €0.6 billion (2012: €0.6 billion) were concluded for Schering Berlin Inc., U.S.A. The negative fair values were offset by internal counter-transactions of the same amount with Schering Berlin Inc., in two micro-hedges. The cross-currency interest-rate swaps hedge an intra-group loan granted by Schering Berlin Inc. to Bayer Inc., Canada. The cross-currency interest-rate swaps are not reported in the statement of financial position. Other external and internal cross-currency interest-rate swaps with a notional value of €0.1 billion (2012: €0.1 billion) also canceled each other out; they were not recorded in the statement of financial position.

DERIVATIVES USED TO HEDGE INTEREST-RATE RISKS

Receiver swaps were used, among other things, to hedge the interest-rate risks relating to ETMN issued by Bayer AG. The swaps mature in the period up to 2015. Their notional value was €1.3 billion (2012: €2.3 billion) and they had a net positive fair value of €78 million (2012: €123 million). They constitute a hedging relationship (micro-hedge) with the bonds, which are reflected in the financial statements. The effectiveness of the hedging relationship is examined prospectively and retrospectively using regression analysis. Since the cash flows relating to the hedged contract and receiver swaps cancel each other out, the receiver swaps are not reflected in the statement of financial position.

Further interest-rate swaps originally concluded to hedge bonds have now been economically closed out by concluding corresponding counter-transactions (payer swaps). They mature in the period up to 2015. Their notional value is €1.1 billion (2012: €1.1 billion) and they had a net negative fair value of €8 million (2012: net negative fair value of €11 million). Micro-hedges are formed on the basis of maturity. Provisions for impending losses have been set up in the amount of €6 million (2012: €9 million) for the resulting negative fair values; they are recorded under miscellaneous provisions.

To hedge interests from a euro bond issued by Bayer Capital Corporation, Netherlands, in 2009 with a nominal value of €1.3 billion, there are receiver swaps in the same notional amount. The receiver swaps expire when the bond matures in 2014. Together with reciprocal transactions concluded with Bayer Capital Corporation with a nominal value of €1.3 billion, the positive and negative market values were canceled out through several portfolio hedges.

Trading in interest futures was low in 2013, as it was in 2012. No interest-rate futures were included in the portfolio at year-end 2013 or year-end 2012.

DERIVATIVES USED TO HEDGE PRICE RISKS

Bayer AG and other Group companies have established a variety of stock programs for their employees, most of which run for several years. During the term of these programs employees receive the cash equivalent of the value of shares in Bayer AG, provided that they meet certain conditions. One condition is that employees must make a personal investment in Bayer shares which must be retained throughout the program. Employees lose their right to the cash payments if they sell their personal investment. To hedge the risk of fluctuations in the share price, Bayer AG has acquired stock purchase options. These are closed out if the actual period for which these personal investments are retained differs from the expected retention pattern. The remaining option had a net fair value of €3 million on December 31, 2013 (2012: €2 million). It is recognized in other assets at the lower of cost or fair value of 1 million (2012: €1 million). The option expires in 2014.

External commodity contracts, which run for up to one year, were passed on to Group companies on reciprocal terms. The results of such transactions that had ended by year end canceled each other out. The remaining open contracts form portfolio hedges, so no income was derived from them. Commodity contracts were only purchased to a very low extent in 2013.

VALUATION METHODS

The fair values of derivatives are measured by the usual methods based on the market data available at the measurement date. The following principles are applied:

- Forward exchange contracts are measured individually at their forward rates on the closing date. These depend on spot rates, including time spreads.
- The fair values of currency options are determined using a Black-Scholes model.

- The market value of interest-rate swaps is determined by discounting expected future cash flows. Discounting applies market interest rates for the remaining term of these instruments. The fair values of interest-rate options are determined using a Black-Scholes model.
- The fair value of share options is determined either by the Black-Scholes method (for simple European options) or, in the case of more complex U.S. options, by conventional binomial methods.
- The fair value of forward commodity contracts is calculated from future price data obtained from the markets or from external data providers. Certain long-term commodity contracts to which fair values cannot be assigned are measured with the aid of valuation models based on internal fundamental data.

(34) Related Parties

Related parties are legal entities and natural persons that are able to exert influence on Bayer AG or over which Bayer AG exercises control or has a significant influence.

Transactions with related parties mainly comprise rental, service and financing transactions with subsidiaries, joint ventures and other affiliated companies, and with pension plans. Such transactions are conducted on market terms (arm's length principle).

Bayer AG has undertaken to provide *jouissance* right capital (Genussrechtskapital) totaling €150 million for Bayer-Pensionskasse. The entire amount was drawn in 2012 and 2013. Further, in 2008 the establishment of a repayable "effective initial fund" was agreed with Bayer Pensionskasse. This was increased by €800 million to €1,600 million in 2012. On December 31, 2013 the amount drawn was €595 million, and thus unchanged from year-end 2012.

(35) Total Compensation of the Board of Management and the Supervisory Board and Loans

The compensation of the Board of Management in 2013 comprised:

Total Compensation of the Board of Management

	2012	2013
	€ thousand	€ thousand
Fixed annual compensation	3,394	3,774
Fringe benefits	147	182
Short-term variable cash compensation	4,247	4,712
Long-term variable cash compensation based on virtual Bayer shares*	4,299	3,976
– <i>Number of virtual shares granted</i>	[61,186]	[40,997]
Long-term stock-based cash compensation (Aspire I)**	910	919
Aggregate compensation	12,997	13,563
Pension service cost***	1,861	1,271

* Fair value as of conversion date

** Fair value as of grant date

*** Including company contribution to Bayer-Pensionskasse VVaG

Members of the Board of Management receive 50% of their short-term variable compensation in the form of virtual Bayer shares. In the above table, this entitlement is stated as "long-term variable cash compensation based on virtual Bayer shares" at the fair value as of the conversion date. Payment is made after three years and depends on the market price of Bayer shares at that time. It also includes an amount equal to the total dividends paid on the equivalent number of real shares during this period. Changes in the value of the virtual shares up to the payment date (including dividend claims accrued during the three-year period) are not included in aggregate income. They are shown separately in the next table.

Members of the Board of Management also participate in stock-based compensation programs (Aspire I). These are multi-year programs under which entitlements are earned in stages. The fair value of these programs at the time they are granted forms part of the overall compensation package and is shown in the above overview as "long-term stock-based cash compensation (Aspire I)". The entitlements earned in 2013 under the stock-based compensation programs granted in current and previous years are shown separately in the table below. In addition, the changes in the value of entitlements from stock-based compensation programs earned prior to 2013 are shown separately.

Further to amounts included in aggregate compensation, the expense for the fiscal year contains the following components relating to long-term variable cash compensation based on virtual Bayer shares and long-term stock-based cash compensation:

Multi-year Variable Compensation of the Board of Management

	2012	2013
	€ thousand	€ thousand
Long-term variable cash compensation based on virtual Bayer shares		
– Fair value of virtual shares granted in the fiscal year	4,299	3,976
– Change in the value of virtual shares granted in previous years	3,136	5,030
	7,435	9,006
Long-term stock-based cash compensation (Aspire I)		
– Entitlements earned in the fiscal year	2,007	2,925
– Change in the value of entitlements earned in previous years	1,196	2,312
	3,203	5,237
Expense	10,638	14,243

Expenses for pension entitlements granted to the members of the Board of Management serving in 2013 amounted to €1,271 thousand (2012: €1,861 thousand). These comprise current service cost for pension commitments and company contributions to Bayer-Pensionskasse. The interest portion of entitlements earned in prior years and actuarial gains and losses also had an impact. Including these components the financial expense was €4,417 thousand (2012: €4,235 thousand). Provisions for pension obligations on the balance-sheet date were €19,335 thousand (2012: €24,319 thousand).

Pension payments to former members of the Board of Management and their surviving dependents in 2013 amounted to €12,871 thousand (2012: €12,673 thousand). Provisions for pensions and similar commitments to former members of the Board of Management and their surviving dependents amounting to €136,307 thousand (2012: €126,424 thousand) are reflected in the statement of financial position of Bayer AG.

Effective April 28, 2012, the compensation system for the Supervisory Board was altered by a resolution adopted by the Annual Stockholders' Meeting on April 27, 2012. The compensation system applicable until April 27, 2012 comprised fixed and variable components. The new system is comprised entirely of fixed compensation, plus fees for attending meetings. The total remuneration of the Supervisory Board in 2013 was €3,309 thousand (2012: €2,974 thousand). This included attendance fees of €99 thousand (2012: €59 thousand). The figure for 2012 also includes variable compensation of €247 thousand.

Notes

(36) Overview of Interests

There were no loans to members of the Board of Management or the Supervisory Board as of December 31, 2013 nor were any loans repaid during the year.

Details of the compensation of the Board of Management and Supervisory Board are set out in the compensation report, which forms part of the Combined Management Report of the Bayer Group and Bayer AG.

(36) Overview of Interests

Bayer AG directly or indirectly holds at least 20% of the shares in the following companies (disclosure pursuant to Section 285 No. 11 of the German Commercial Code). The equity and net income/loss are based on the financial statements prepared in accordance with local law. All amounts are rounded.

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
Europe					
Agreva GmbH	Frankfurt am Main, Germany	100.0	0.0	0.0	*) (**)
AgrEvo Verwaltungsgesellschaft mbH	Frankfurt am Main, Germany	100.0	0.4	(0.1)	*) (**)
Alcaflu Management GmbH & Co. KG	Schönefeld, Germany	99.9	450.5	(14.1)	
Ausbildungsinitiative Rheinland GmbH	Leverkusen, Germany	100.0	0.0	0.0	*) (**)
Aviator Acquisition AS	Oslo, Norway	100.0	(0.3)	(0.3)	*)
Axxam S.p.A.	Milan, Italy	23.2	2.7	0.0	*)
Baulé S.A.S.	Romans-sur-Isère, France	100.0	42.0	4.0	
Baulé UK Limited	Cheadle Hulme, U.K.	100.0	2.2	0.6	*)
Bayer (Schweiz) AG	Zurich, Switzerland	100.0	61.4	23.7	
Bayer 04 Immobilien GmbH	Leverkusen, Germany	100.0	0.0	(2.4)	*) (**)
Bayer 04 Leverkusen Fußball GmbH	Leverkusen, Germany	100.0	60.5	14.4	*) (**)
Bayer 04 Leverkusen Sportförderung gGmbH	Leverkusen, Germany	100.0	0.5	0.0	*)
Bayer 04 Marketing GmbH	Leverkusen, Germany	100.0	0.0	(0.1)	*) (**)
Bayer A/S	Lyngby, Denmark	100.0	20.1	6.5	*)
Bayer AB	Solna, Sweden	100.0	5.6	3.6	*)
Bayer AEH Limited	Cambridge, U.K.	100.0	0.0	0.0	
Bayer AGCO Limited	Cambridge, U.K.	100.0	0.0	0.0	
Bayer Agriculture Limited	Cambridge, U.K.	100.0	7.3	(135.7)	*)
Bayer Altersversorgung GmbH	Leverkusen, Germany	100.0	35.0	63.0	*) (**)
Bayer Animal Health GmbH	Leverkusen, Germany	100.0	319.2	142.5	*)
Bayer Antwerpen NV	Antwerp, Belgium	100.0	8,549.2	258.4	*)
Bayer AS	Oslo, Norway	100.0	4.9	2.5	*)
Bayer Austria Gesellschaft m.b.H.	Vienna, Austria	100.0	19.7	7.4	*)

*) Provisional result

**) Before profit/loss transfer

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
Bayer B.V.	Mijdrecht, Netherlands	100.0	1,798.9	473.3	*)
Bayer Beteiligungsverwaltung Goslar GmbH	Leverkusen, Germany	100.0	491.6	0.7	*) (**)
Bayer Bitterfeld GmbH	Bitterfeld-Wolfen, Germany	100.0	235.3	4.3	*) (**)
Bayer Bulgaria EOOD	Sofia, Bulgaria	100.0	8.5	3.3	*)
Bayer Business Services GmbH	Leverkusen, Germany	100.0	86.7	(73.8)	*) (**)
Bayer Capital Corporation B.V.	Mijdrecht, Netherlands	100.0	16.5	1.5	*)
Bayer Chemicals AG	Leverkusen, Germany	100.0	406.0	(35.2)	*) (**)
Bayer Consumer Care AG	Basel, Switzerland	100.0	1,151.7	334.6	*)
Bayer Consumer Care Deutschland GmbH	Berlin, Germany	100.0	1.1	5.6	*) (**)
Bayer CropScience (Portugal) – Produtos para a Agricultura, Lda.	Carnaxide, Portugal	100.0	17.2	4.0	*)
Bayer CropScience AG	Monheim am Rhein, Germany	100.0	3,113.3	1,379.4	**)
Bayer CropScience Beteiligungsgesellschaft mbH	Frankfurt am Main, Germany	100.0	19.7	(0.1)	*)
Bayer CropScience Biologics GmbH	Malchow, Germany	100.0	2.3	0.4	*)
Bayer CropScience Deutschland GmbH	Langenfeld, Germany	100.0	100.2	17.1	*)
Bayer CropScience Holding SA	Lyon, France	100.0	699.5	(5.4)	*)
Bayer CropScience Holdings Limited	Cambridge, U.K.	100.0	0.0	0.0	
Bayer CropScience Limited	Cambridge, U.K.	100.0	66.2	10.2	*)
Bayer CropScience Norwich Limited	Cambridge, U.K.	100.0	0.0	0.0	
Bayer CropScience NV	Diegem, Belgium	100.0	207.5	27.3	*)
Bayer CropScience S.r.l.	Milan, Italy	100.0	64.8	3.7	*)
Bayer CropScience Vermögensverwaltungsgesellschaft mbH	Leverkusen, Germany	100.0	69.8	0.6	*)
Bayer CropScience, S.L.	Quart de Poblet, Spain	100.0	88.8	13.6	*)
Bayer d.o.o.	Belgrade, Serbia	100.0	7.8	0.8	*)
Bayer d.o.o.	Ljubljana, Slovenia	100.0	22.1	3.1	*)
Bayer d.o.o.	Zagreb, Croatia	100.0	2.0	0.2	*)
Bayer d.o.o. Sarajevo	Sarajevo, Bosnia and Herzegovina	100.0	0.7	0.2	*)
Bayer Direct Services GmbH	Leverkusen, Germany	100.0	0.3	(0.6)	*) (**)
Bayer Gastronomie GmbH	Leverkusen, Germany	100.0	5.0	(8.0)	*) (**)
Bayer Gesellschaft für Beteiligungen mbH	Leverkusen, Germany	100.0	6,101.7	179.5	*) (**)
Bayer Global Investments B.V.	Mijdrecht, Netherlands	100.0	10,885.4	322.8	*)
Bayer HealthCare AG	Leverkusen, Germany	100.0	1.1	(209.0)	*) (**)
Bayer HealthCare Manufacturing S.r.l.	Milan, Italy	100.0	191.1	46.1	*)
Bayer HealthCare SAS	Loos, France	100.0	191.1	9.7	*)
Bayer HealthCare S.r.l.	Milan, Italy	100.0	0.0	0.0	*)
Bayer Hellas A.G.	Athens, Greece	100.0	18.8	(0.2)	*)

*) Provisional result

**) Before profit/loss transfer

Notes

(36) Overview of Interests

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
Bayer Hispania, S.L.	Sant Joan Despi, Spain	100.0	2,112.3	222.0	*)
Bayer Holding France SCS	Lyon, France	100.0	2,175.0	(6.3)	*)
Bayer Hungária Kft.	Budapest, Hungary	100.0	21.9	6.9	*)
Bayer Innovation GmbH	Leverkusen, Germany	100.0	33.7	(0.5)	*) **)
Bayer					
Intellectual Property GmbH	Monheim am Rhein, Germany	100.0	0.6	0.5	*)
Bayer International SA	Fribourg, Switzerland	100.0	210.4	10.6	*)
Bayer Limited	Dublin, Ireland	100.0	3.1	1.6	*)
Bayer Ltd.	Kiev, Ukraine	100.0	21.3	3.9	*)
Bayer MaterialScience A/S	Otterup, Denmark	100.0	1.8	(3.7)	*)
Bayer MaterialScience AG	Leverkusen, Germany	100.0	120.0	(20.3)	**)
Bayer MaterialScience B.V.	Foxhol, Netherlands	100.0	2.9	1.9	*)
Bayer MaterialScience Brunsbüttel Energie GmbH	Brunsbüttel, Germany	100.0	0.0	2.8	*) **)
Bayer MaterialScience Customer Services GmbH	Leverkusen, Germany	100.0	5.3	0.8	*) **)
Bayer MaterialScience GmbH	Darmstadt, Germany	100.0	89.9	(6.4)	*) **)
Bayer MaterialScience NV	Tielt, Belgium	100.0	25.4	(0.8)	*)
Bayer MaterialScience Oldenburg GmbH & Co. KG	Oldenburg, Germany	100.0	12.2	5.9	*)
Bayer MaterialScience Oldenburg Verwaltungs-GmbH	Oldenburg, Germany	100.0	0.0	0.0	*)
Bayer MaterialScience S.p.A.	Milan, Italy	99.0	2.9	(3.0)	*)
Bayer MaterialScience S.r.l.	Milan, Italy	100.0	36.1	10.9	*)
Bayer MaterialScience, S.L.	Sant Joan Despi, Spain	100.0	96.8	5.7	*)
Bayer Medical Care B.V.	Maastricht, Netherlands	100.0	0.0	0.0	
Bayer Nordic SE	Espoo, Finland	100.0	1,039.6	(70.9)	*)
Bayer NV	Diegem, Belgium	100.0	61.5	3.5	*)
Bayer OÜ	Tallinn, Estonia	100.0	0.7	0.1	*)
Bayer Oy	Turku, Finland	100.0	638.0	281.2	*)
Bayer Pharma AG	Berlin, Germany	100.0	5,722.7	1,966.3	*) **)
Bayer Polyols S.N.C.	Puteaux, France	100.0	42.9	6.1	*)
Bayer Polyurethanes B.V.	Mijdrecht, Netherlands	100.0	26.3	4.8	*)
Bayer Portugal, SA	Carnaxide, Portugal	100.0	40.3	5.6	*)
Bayer Public Limited Company	Newbury, U.K.	100.0	148.4	18.8	*)
Bayer Real Estate GmbH	Leverkusen, Germany	100.0	380.6	99.7	*) **)
Bayer Real Estate Waltersdorf Verwaltungs-GmbH	Schönefeld, Germany	100.0	0.0	0.0	*) **)
Bayer S.A.S.	Lyon, France	100.0	1,417.7	65.2	*)
Bayer S.p.A.	Milan, Italy	100.0	436.9	26.6	*)
Bayer s.r.o.	Prague, Czech Republic	100.0	10.4	3.7	*)
Bayer Santé Familiale SAS	Gaillard, France	100.0	82.6	29.3	*)
Bayer SARL	Lyon, France	100.0	2.0	0.0	*)
Bayer Schering Pharma AG	Berlin, Germany	100.0	257.5	(0.2)	*) **)
Bayer Seeds B.V.	Mijdrecht, Netherlands	100.0	708.7	0.0	*)
Bayer Sp. z o.o.	Warsaw, Poland	100.0	45.5	5.4	*)
Bayer Technology Services GmbH	Leverkusen, Germany	100.0	60.0	(30.5)	*) **)

*) Provisional result

**) Before profit/loss transfer

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
Bayer UK Limited	Newbury, U.K.	100.0	0.0	0.0	
Bayer US IP GmbH	Leverkusen, Germany	100.0	0.0	0.0	*) (**)
Bayer					
Verwaltungsgesellschaft mbH	Weimar, Germany	100.0	0.1	0.0	*)
Bayer Vital GmbH	Leverkusen, Germany	100.0	85.4	123.4	*) (**)
Bayer Weimar GmbH und Co. KG	Weimar, Germany	100.0	47.6	5.5	*)
Bayer World Investments B.V.	Mijdrecht, Netherlands	100.0	7,229.7	(0.7)	*)
Bayer, spol. sr.o.	Bratislava, Slovakia	100.0	4.0	1.4	*)
Bayer-Handelsgesellschaft mit beschränkter Haftung	Leverkusen, Germany	100.0	14.0	(0.5)	*) (**)
Bayer-Unterstützungskasse GmbH	Leverkusen, Germany	100.0	29.3	(0.3)	*)
Bayhealth Comercialização de Produtos Farmacêuticos Unipessoal Lda.	Carnaxide, Portugal	100.0	0.0	0.0	*)
Baysalud, S.L.	Barcelona, Spain	100.0	0.0	0.0	*)
BaySecur GmbH	Leverkusen, Germany	49.0	0.8	0.8	*)
BaySports-Travel GmbH	Leverkusen, Germany	50.0	0.1	0.0	*)
BBB Management GmbH Campus Berlin-Buch	Berlin, Germany	20.0	0.8	0.0	*)
Berlex – Especialidades Farmacêuticas Lda.	Carnaxide, Portugal	100.0	0.1	0.0	*)
Berlifarma – Especialidades Farmacêuticas, Lda.	Carnaxide, Portugal	100.0	0.0	0.0	*)
Berlimed – Especialidades Farmacêuticas Lda.	Carnaxide, Portugal	100.0	0.1	0.0	*)
Berlimed, S.A.	Madrid, Spain	100.0	27.5	1.8	*)
Berlipharm B.V.	Weesp, Netherlands	100.0	0.1	0.0	
Berlis AG	Zurich, Switzerland	100.0	1.8	1.0	
Biogenetic Technologies B.V.	Rotterdam, Netherlands	100.0	6.8	0.0	
CENTROFARMA-Indústria e Comércio de Prod. Farmacêuticos, Lda.	Carnaxide, Portugal	100.0	0.0	0.0	*)
Chemie-Beteiligungsaktiengesellschaft	Glarus, Switzerland	100.0	1.1	0.0	
Chemion Logistik GmbH	Leverkusen, Germany	100.0	10.6	6.7	*) (**)
CleanTech NRW GmbH	Leverkusen, Germany	100.0	0.1	0.0	*)
Conceptus Medical Limited	Esher, U.K.	100.0	0.0	0.0	*)
Conceptus SAS	Versailles, France	100.0	1.9	0.2	*)
Currenta					
Geschäftsführungs-GmbH	Leverkusen, Germany	100.0	0.0	0.0	*)
Currenta GmbH & Co. OHG	Leverkusen, Germany	60.0	12.5	4.3	*)
Disalfarm, S.A.	Barcelona, Spain	33.3	3.6	0.2	*)
Dritte Bayer Real Estate VV GmbH & Co. KG	Schönefeld, Germany	100.0	56.6	8.2	*)
Dritte K-W-A Beteiligungsgesellschaft mbH	Leverkusen, Germany	100.0	0.1	0.0	*) (**)
Ehrfeld Mikrotechnik BTS GmbH	Wendelsheim, Germany	100.0	0.0	(0.1)	*) (**)

*) Provisional result

**) Before profit/loss transfer

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(36) Overview of Interests

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
Epurex Films Geschäftsführungs-GmbH	Bomlitz, Germany	100.0	0.1	0.0	*)
Epurex Films GmbH & Co. KG	Bomlitz, Germany	100.0	14.7	(5.9)	*)
Erste Bayer Real Estate VV GmbH & Co. KG	Schönefeld, Germany	100.0	49.3	8.3	*)
Erste K-W-A Beteiligungsgesellschaft mbH	Leverkusen, Germany	100.0	33.7	10.3	*) **)
Euroservices Bayer GmbH	Leverkusen, Germany	100.0	0.3	(2.9)	*) **)
EuroServices Bayer, S.L.	Sant Joan Despi, Spain	100.0	12.3	0.9	*)
Faserwerke Hüls GmbH	Marl, Germany	50.0	0.8	0.0	*)
Fünfte Bayer Real Estate VV GmbH & Co. KG	Schönefeld, Germany	100.0	158.0	20.7	*)
Generics Holding GmbH	Leverkusen, Germany	100.0	61.5	(10.9)	*) **)
GP Grenzach Produktions GmbH	Grenzach-Wyhlen, Germany	100.0	25.0	12.5	*) **)
Healthbox Europe 1 LP	London, U.K.	37.0	(0.9)	(0.4)	*)
Hild Samen GmbH	Marbach am Neckar, Germany	100.0	4.8	2.7	*) **)
Indurisk Rückversicherung AG	Luxembourg, Luxembourg	50.0	17.5	12.4	*)
Intendis Derma, S.L.	Sant Joan Despi, Spain	100.0	(0.1)	0.0	*)
Intendis GmbH	Berlin, Germany	100.0	14.9	45.4	*) **)
Intendis Manufacturing S.p.A.	Milan, Italy	100.0	14.1	1.1	*)
Intraserv GmbH & Co. KG	Schönefeld, Germany	100.0	26.4	23.3	*)
Intraserv Verwaltungs-GmbH	Schönefeld, Germany	100.0	0.0	0.0	*)
INVITE GmbH	Cologne, Germany	50.0	0.0	0.3	***)
Jenapharm GmbH & Co. KG	Jena, Germany	100.0	69.2	48.2	*)
KOSINUS Grundstücks- Verwaltungsgesellschaft mbH	Schönefeld, Germany	100.0	0.0	0.0	*)
KOSINUS Grundstücks- Verwaltungsgesellschaft mbH & Co. Gamma OHG	Schönefeld, Germany	100.0	26.5	2.1	*)
KVP Pharma + Veterinär Produkte GmbH	Kiel, Germany	100.0	18.0	4.6	*)
Lilienthalstraße Nr. 4 GmbH	Schönefeld, Germany	100.0	0.0	0.0	
Lusal Produção Quimico Farmacêutica Luso-Alema, Lda.	Carnaxide, Portugal	100.0	0.0	0.0	*)
Lusalfarma – Especialidades Farmacêuticas Lda.	Carnaxide, Portugal	100.0	0.1	0.0	*)
Lyondell Bayer Manufacturing Maasvlakte VOF	Rotterdam, Netherlands	50.0	36.3	(29.1)	*)
Marotrast GmbH	Jena, Germany	100.0	0.0	0.4	*) **)
Medrad France B.V.	Mijdrecht, Netherlands	100.0	0.0	0.0	*)
MENADIER Heilmittel GmbH	Berlin, Germany	100.0	79.8	0.0	*) **)
Neunte Bayer VV GmbH	Leverkusen, Germany	100.0	0.0	0.0	*) **)
Nunhems B.V.	Haalen, Netherlands	100.0	816.1	89.2	*)
Nunhems France S.A.R.L.	Soucelles, France	100.0	2.1	0.3	*)
Nunhems Hungary Kft.	Szolnok, Hungary	100.0	0.6	0.0	*)
Nunhems Italy S.r.l.	St. Agata Bolognese, Italy	100.0	7.7	0.4	*)

*) Provisional result

**) Before profit/loss transfer

***) Amounts 2012

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
Nunhems Netherlands B.V.	Haelen, Netherlands	100.0	783.6	18.5	*)
Nunhems Poland Sp. z o.o.	Poznan, Poland	100.0	1.2	0.6	*)
Nunhems Spain, S.A.	Valencia, Spain	100.0	8.6	3.1	*)
Pallas Versicherung AG	Leverkusen, Germany	100.0	58.3	5.7	*)
Pandias Re AG	Luxembourg, Luxembourg	100.0	20.0	0.0	*)
pbi Home&Garden Limited	Cambridge, U.K.	100.0	0.0	0.0	
PYCO SA	Mont de Marsan, France	47.0	0.1	0.0	*)
Radimetrics UK Limited	Kilmarnock, U.K.	100.0	0.1	0.0	*)
Sauerstoff- und Stickstoffrohrleitungsgesellschaft mbH	Krefeld, Germany	50.0	0.3	0.0	*)
SC Bayer SRL	Bucharest, Romania	100.0	12.0	0.3	*)
Schering Agrochemicals Holdings	Newbury, U.K.	100.0	0.0	0.0	
Schering Health Care Limited	Newbury, U.K.	100.0	0.0	0.0	
Schering Holdings Limited	Newbury, U.K.	100.0	20.6	0.0	*)
Schering Industrial Products	Newbury, U.K.	100.0	0.0	0.0	
Schering-Kahlbaum Gesellschaft mit beschränkter Haftung	Berlin, Germany	100.0	28.3	0.0	*) **)
Sechste Bayer Real Estate VV GmbH&Co. KG	Schönefeld, Germany	100.0	56.9	14.1	*)
SIA Bayer	Riga, Latvia	100.0	0.8	0.1	*)
Siebte Bayer VV GmbH	Leverkusen, Germany	100.0	0.0	212.9	*) **)
Steigerwald Arzneimittelwerk GmbH	Darmstadt, Germany	100.0	18.9	5.9	*) **)
TecArena+ GmbH	Leverkusen, Germany	100.0	0.3	0.1	*) **)
TECTRION GmbH	Leverkusen, Germany	100.0	7.0	4.3	*) **)
TOO Bayer KAZ	Astana, Kazakhstan	100.0	8.0	2.2	*)
TravelBoard GmbH	Leverkusen, Germany	100.0	0.4	0.3	*) **)
UAB Bayer	Vilnius, Lithuania	100.0	3.4	0.3	*)
Vierte Bayer Real Estate VV GmbH&Co. KG	Schönefeld, Germany	100.0	41.1	15.4	*)
ZAO Bayer	Moscow, Russia	100.0	85.3	(2.4)	*)
Zweite Bayer Real Estate VV GmbH&Co. KG	Schönefeld, Germany	100.0	78.6	12.8	*)
Zweite K-W-A Beteiligungsgesellschaft mbH	Leverkusen, Germany	100.0	3,444.1	0.0	*) **)
North America					
Bayer Corporation	Pittsburgh, U.S.A.	100.0	3,283.2	(2.3)	*)
with the following principal affiliates:					
AgraQuest Holding Inc.	Davis, U.S.A.	100.0			+))
AgraQuest, Inc.	Davis, U.S.A.	100.0			+))
Athenix Corp.	Research Triangle Park, U.S.A.	100.0			+))
Bayer Business and Technology Services LLC	Pittsburgh, U.S.A.	100.0			+))
Bayer Canadian Holdings Inc.	Toronto, Canada	100.0			+))

*) Provisional result

**) Before profit/loss transfer

+) Pre-consolidated

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(36) Overview of Interests

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
Bayer Cotton Seed International Inc.	Research Triangle Park, U.S.A.	51.0			+))
Bayer CropScience LLC	Research Triangle Park, U.S.A.	100.0			+))
Bayer CropScience LP	Research Triangle Park, U.S.A.	100.0			+))
Bayer Essure Inc.	Milpitas, U.S.A.	100.0			+))
Bayer HealthCare Animal Health Inc.	St. Joseph, U.S.A.	100.0			+))
Bayer HealthCare LLC	Whippany, U.S.A.	100.0			+))
Bayer HealthCare Pharmaceuticals Inc.	Pine Brook, U.S.A.	100.0			+))
Bayer HealthCare Pharmaceuticals LLC	Berkeley, U.S.A.	100.0			+))
Bayer MaterialScience LLC	Pittsburgh, U.S.A.	100.0			+))
Bayer Medical Care Inc.	Indianola, U.S.A.	100.0			+))
Bayer PO LLC	New Martinsville, U.S.A.	100.0			+))
Bayer Puerto Rico Inc.	San Juan, Puerto Rico	100.0			+))
Bayer R & I B.V.	Maastricht, Netherlands	100.0			+))
Bayer West Coast Corporation	Berkeley, U.S.A.	100.0			+))
BHCP Holdings LLC	Pittsburgh, U.S.A.	100.0			+))
Collateral Therapeutics, Inc.	Richmond, U.S.A.	100.0			+))
Cooper Land Company of New Jersey, Inc.	Whippany, U.S.A.	100.0			+))
Guidance Interactive Healthcare, Inc.	Tarrytown, U.S.A.	100.0			+))
Hornbeck Seed Company, Inc.	Lubbock, U.S.A.	100.0			+))
Imaxeon Pty. Ltd.	Rydalmere, Australia	100.0			+))
iSense Corporation	Wilsonville, U.S.A.	100.0			+))
iSense Development Corporation	Wilsonville, U.S.A.	100.0			+))
Mediwest Norway AS	Oslo, Norway	100.0			+))
Medrad Asia Pte. Ltd.	Singapore	100.0			+))
Medrad Belgium BVBA	Diegem, Belgium	100.0			+))
Medrad Denmark ApS	Lyngby, Denmark	100.0			+))
Medrad do Brasil Ltda.	São Paulo, Brazil	100.0			+))
Medrad Europe B.V.	Maastricht, Netherlands	100.0			+))
Medrad France S.A.R.L.	Rungis, France	100.0			+))
Medrad Italia S.r.l.	Cava Manara, Italy	100.0			+))
MEDRAD Medical Equipment Trading Company-Beijing	Beijing, China	100.0			+))
Medrad Medizinische Systeme GmbH	Leverkusen, Germany	100.0			+))
Medrad Mexicana S. de R.L. de CV	Mexico City, Mexico	100.0			+))
Medrad Sweden AB	Mölnådal, Sweden	100.0			+))
Medrad UK Limited	Ely, U.K.	100.0			+))
Nihon Medrad K.K.	Osaka, Japan	100.0			+))
NippoNex Holdings LLC	Tarrytown, U.S.A.	100.0			+))
NippoNex Inc.	Tarrytown, U.S.A.	100.0			+))

+) Pre-consolidated

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
NOR-AM Agro LLC	Whippany, U.S.A.	100.0			+))
SB Capital Corporation	Pine Brook, U.S.A.	100.0			+))
Schering Berlin Inc.	Whippany, U.S.A.	100.0			+))
STWB Inc.	Pittsburgh, U.S.A.	100.0			+))
Viterion TeleHealthcare LLC	Tarrytown, U.S.A.	100.0			+))
Artificial Muscle, Inc.	Sunnyvale, U.S.A.	100.0	2.0	0.3	
Baulé Inc.	Allentown, U.S.A.	100.0	0.1	(0.4)	
Baulé USA LLC	Coraopolis, U.S.A.	100.0	1.7	0.8	
Bayer CropScience Holding Inc.	Research Triangle Park, U.S.A.	100.0	11.8	0.1	
Bayer CropScience Holdings Inc.	Calgary, Canada	100.0	231.0	15.5	
Bayer CropScience Inc.	Calgary, Canada	100.0	153.0	101.7	
Bayer CropScience Inc.	Research Triangle Park, U.S.A.	100.0	975.4	54.3	
Bayer I4 Acquisition Corporation	Wilmington, U.S.A.	100.0	0.0	0.0	
Bayer Inc.	Toronto, Canada	100.0	524.0	34.3	*)
Bayer International Trade Services Corporation	Weirton, U.S.A.	100.0	2.8	2.8	
Bayer Overseas Trade Services Corporation	Weirton, U.S.A.	100.0	7.1	4.9	
Berlex Canada, Inc.	Pointe-Claire, Canada	100.0	0.0	0.0	
Delinting and Seed Treating Company	Research Triangle Park, U.S.A.	100.0	0.0	0.0	
Nunhems Melons, Inc.	Parma, U.S.A.	100.0	38.7	0.3	*)
Nunhems USA, Inc.	Morgan Hill, U.S.A.	100.0	7.1	(2.1)	*)
PO JV, LP	Wilmington, U.S.A.	39.7	440.8	(46.2)	*)
Technology JV, L.P.	Wilmington, U.S.A.	33.3	225.7	0.0	*)
The SDI Divestiture Corporation	Pittsburgh, U.S.A.	100.0	0.0	0.0	
Asia/Pacific					
Bayer (China) Limited	Beijing, China	100.0	897.7	4.5	*)
Bayer (Malaysia) Sdn. Bhd.	Petaling Jaya, Malaysia	100.0	1.2	(0.8)	*)
Bayer (Sichuan) Animal Health Co., Ltd.	Chengdu, China	100.0	24.1	9.8	*)
Bayer (South East Asia) Pte. Ltd.	Singapore	100.0	78.2	10.3	*)
Bayer Australia Limited	Pymble, Australia	100.0	81.9	15.0	*)
Bayer BioScience Pvt. Ltd.	Hyderabad, India	100.0	28.2	3.1	
Bayer Business Services Philippines, Inc.	Taguig City, Philippines	100.0	3.2	2.7	*)
Bayer Business Services Private Limited	Powai, India	100.0	1.9	0.5	
Bayer Co. (Malaysia) Sdn Bhd	Petaling Jaya, Malaysia	100.0	18.0	5.1	*)
Bayer CropScience (China) Company Ltd.	Hangzhou, China	100.0	79.1	10.8	*)
Bayer CropScience (Thailand) Company Limited	Bangkok, Thailand	100.0	0.2	0.0	*)
Bayer CropScience Holdings Pty. Ltd.	East Hawthorn, Australia	100.0	18.0	0.0	*)

*) Provisional result

+) Pre-consolidated

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(36) Overview of Interests

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
Bayer CropScience K.K.	Tokyo, Japan	100.0	213.8	12.7	*)
Bayer CropScience Limited	Mumbai, India	68.9	226.2	150.2	
Bayer CropScience Ltd.	Dhaka, Bangladesh	60.0	4.4	0.2	
Bayer CropScience Ltd.	Seoul, South Korea	100.0	23.3	6.4	*)
Bayer CropScience Pty. Limited	East Hawthorn, Australia	100.0	53.4	(0.8)	*)
Bayer CropScience, Inc.	Laguna, Philippines	100.0	12.7	1.3	*)
Bayer Far East Service Co. Ltd.	Hong Kong, China	100.0	30.6	9.1	*)
Bayer Healthcare Co. Ltd.	Beijing, China	100.0	362.9	76.4	*)
Bayer HealthCare Limited	Hong Kong, China	100.0	14.5	2.0	*)
Bayer Holding Ltd.	Tokyo, Japan	100.0	434.3	63.8	*)
Bayer Jinling Polyurethane Co., Ltd.	Nanjing, China	55.0	15.4	0.0	*)
Bayer Korea Ltd.	Seoul, South Korea	100.0	67.8	5.1	*)
Bayer MaterialScience (Beijing) Company Limited	Beijing, China	100.0	12.3	2.8	*)
Bayer MaterialScience (China) Company Limited	Shanghai, China	100.0	757.9	(46.1)	*)
Bayer MaterialScience (Qingdao) Co. Ltd.	Qingdao, China	100.0	6.3	(0.3)	*)
Bayer MaterialScience (Shanghai) Management Company Limited	Shanghai, China	100.0	5.9	2.2	*)
Bayer MaterialScience Limited	Hong Kong, China	100.0	67.7	0.6	*)
Bayer MaterialScience Ltd.	Kimhae City, South Korea	100.0	8.9	(2.1)	*)
Bayer MaterialScience Ltd.	Tokyo, Japan	100.0	(11.3)	0.8	*)
Bayer MaterialScience Private Limited	Mumbai, India	100.0	3.8	(6.6)	
Bayer MaterialScience Pty. Ltd.	Pymble, Australia	100.0	(4.4)	(1.7)	*)
Bayer MaterialScience Taiwan Limited	Taipei, Taiwan	95.5	35.8	5.8	*)
Bayer New Zealand Limited	Auckland, New Zealand	100.0	8.0	(34.8)	*)
Bayer Pakistan (Private) Limited	Karachi, Pakistan	100.0	6.3	(3.0)	*)
Bayer Pharmaceuticals Private Limited	Mumbai, India	100.0	4.1	(0.4)	
Bayer Philippines, Inc.	Laguna, Philippines	100.0	35.6	9.2	*)
Bayer Sheets India Private Limited	Mumbai, India	100.0	(0.3)	(0.7)	
Bayer Taiwan Company Ltd.	Taipei, Taiwan	100.0	27.0	4.7	*)
Bayer Technology and Engineering (Shanghai) Company Limited	Shanghai, China	100.0	36.3	10.6	*)
Bayer Thai Co., Ltd.	Bangkok, Thailand	100.0	387.9	(26.1)	*)
Bayer TPU (Shenzhen) Co. Ltd.	Shenzhen, China	100.0	12.2	0.7	*)
Bayer Vapi Private Limited	Vapi, India	100.0	148.6	23.7	
Bayer Vietnam Ltd.	Bien Hoa City, Vietnam	100.0	35.0	6.5	*)
Bayer Yakuhin, Ltd.	Osaka, Japan	100.0	198.6	121.3	*)
Bayer Zydus Pharma Private Limited	Mumbai, India	50.0	4.6	(1.7)	
Bomac Animal Health Pty. Limited	Hornsby, Australia	100.0	0.0	0.0	
Bomac Laboratories Pty. Limited	Hornsby, Australia	100.0	0.0	0.0	*)

*) Provisional result

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
Chemdyes Pakistan (Private) Limited	Karachi, Pakistan	100.0	0.3	0.0	*)
Cotton Growers Services Pty. Limited	Moree, Australia	50.0	9.1	2.1	*)
DIC Bayer Polymer Ltd.	Tokyo, Japan	50.0	11.5	3.3	*)
Guangzhou Bayer MaterialScience Company Limited	Guangzhou, China	100.0	19.2	(1.3)	*)
Medipharm (Pvt.) Ltd.	Lahore, Pakistan	100.0	4.6	(0.1)	*)
Myanmar Aventis CropScience Ltd.	Yangon, Myanmar	100.0	0.0	0.0	*)
Nunhems Beijing Seeds Co. Ltd.	Beijing, China	95.0	6.5	0.3	*)
Nunhems India Private Limited	Hyderabad, India	100.0	21.6	3.2	*)
PT. Bayer Indonesia	Jakarta, Indonesia	99.8	103.8	37.1	*)
PT. Bayer MaterialScience Indonesia	Jakarta, Indonesia	99.9	22.0	0.1	*)
Shanghai Baulé Polyurethane Technology Co. Ltd.	Shanghai, China	100.0	0.6	(0.1)	*)
Sumika Bayer Urethane Co., Ltd.	Osaka, Japan	60.0	(12.3)	(8.3)	*)
TianJin Greenstone Polymer Technology Co. Ltd.	Tianjin City, China	100.0	2.5	(0.2)	*)
Latin America/Africa/Middle East					
AgraQuest de México S.A. de C.V.	Mexico City, Mexico	100.0	8.2	0.0	*)
AgrEvo South Africa (Pty.) Ltd.	Isando, South Africa	100.0	0.0	0.0	
Alimtec S.A.	Santiago de Chile, Chile	100.0	2.5	(1.7)	*)
Bayer (Proprietary) Limited	Isando, South Africa	100.0	99.3	19.2	*)
Bayer Algerie S.P.A.	Algiers, Algeria	100.0	0.4	0.2	*)
Bayer Boliviana Ltda.	Santa Cruz de la Sierra, Bolivia	100.0	3.6	1.2	*)
Bayer de México, S.A. de C.V.	Mexico City, Mexico	100.0	212.4	60.1	*)
Bayer Distribuidora de Produtos Químicos e Farmacêuticos Ltda.	São Paulo, Brazil	100.0	0.3	0.0	*)
Bayer East Africa Ltd.	Nairobi, Kenya	55.0	11.4	(0.7)	*)
Bayer Evde Bakım Hizmetleri Ltd. Sti.	Istanbul, Turkey	100.0	0.0	0.0	*)
Bayer Finance & Portfolio Management S.A.	Santiago de Chile, Chile	100.0	37.2	1.0	*)
Bayer Finance Ltda.	Santiago de Chile, Chile	100.0	8.3	0.3	*)
Bayer IMSA, S.A. de C.V.	Nuevo León, Mexico	50.0	6.9	2.3	*)
Bayer Israel Ltd.	Hod Hasharon, Israel	100.0	2.8	0.2	*)
Bayer Middle East FZE	Dubai, United Arab Emirates	100.0	1.6	0.3	*)
Bayer Middle East Limited Liability Company	Dubai, United Arab Emirates	49.0	0.0	0.0	
Bayer Parsian AG	Tehran, Iran	100.0	6.2	4.0	*)
Bayer Pearl Polyurethane Systems FZCO	Dubai, United Arab Emirates	51.0	10.4	1.8	*)
Bayer Pearl Polyurethane Systems LLC	Dubai, United Arab Emirates	49.0	0.1	0.0	*)

*) Provisional result

Notes

(36) Overview of Interests

Overview of Interests

Company Name	Place of Business	Bayer's interest	Equity	Net income/loss	Foot-notes
		%	€ million	€ million	
Bayer S.A.	Asunción, Paraguay	100.0	16.4	1.9	*)
Bayer S.A.	Bogotá, Colombia	100.0	125.0	20.2	*)
Bayer S.A.	Buenos Aires, Argentina	100.0	148.9	36.7	*)
Bayer S.A.	Caracas, Venezuela	100.0	120.1	(44.3)	*)
Bayer S.A.	Casablanca, Morocco	100.0	26.7	0.9	*)
Bayer S.A.	Colón, Panama	100.0	48.7	10.3	*)
Bayer S.A.	Guatemala City, Guatemala	100.0	65.8	11.3	*)
Bayer S.A.	Lima, Peru	95.2	67.8	5.0	*)
Bayer S.A.	Managua, Nicaragua	100.0	6.3	1.6	*)
Bayer S.A.	Quito, Ecuador	100.0	18.0	2.2	*)
Bayer S.A.	San José, Costa Rica	100.0	19.1	1.2	*)
Bayer S.A.	Santiago de Chile, Chile	100.0	29.2	9.3	*)
Bayer S.A.	Santo Domingo, Dominican Republic	100.0	11.7	1.4	*)
Bayer S.A.	São Paulo, Brazil	100.0	700.0	194.9	*)
Bayer S.A. de C.V.	Tegucigalpa, Honduras	100.0	8.1	1.7	*)
Bayer SA	Montevideo, Uruguay	100.0	6.6	1.3	*)
Bayer Schering Pharma Mocambique, Lda.	Maputo, Mozambique	100.0	0.0	0.0	
Bayer Türk Kimya Sanayi Limited Sirketi	Istanbul, Turkey	100.0	105.2	10.8	*)
Bayer Zimbabwe (Private) Limited	Harare, Zimbabwe	100.0	0.4	0.0	
Bayer, S.A.	San Salvador, El Salvador	100.0	12.1	1.6	*)
Comercial Interamericana, S.A.	Guatemala City, Guatemala	100.0	0.0	0.0	*)
Conceptus Costa Rica S.R.L.	Heredia, Costa Rica	100.0	0.0	0.0	
Coopers Environmental Science (Pty.) Ltd.	Pomona Gardens, South Africa	26.0	1.4	0.1	
Corporación Bonima S.A. de C.V.	Ilopango, El Salvador	99.6	13.2	0.9	*)
Farmaco Ltda.	São Paulo, Brazil	100.0	0.1	0.0	*)
FN Semillas S.A.	Buenos Aires, Argentina	100.0	3.6	0.0	*)
Holding Manager S.A.	Buenos Aires, Argentina	100.0	4.0	0.0	*)
Laboratorio Berlimed S.A.	Santiago de Chile, Chile	100.0	0.0	0.0	
Mediterranean Seeds Ltd.	Einat, Israel	100.0	1.5	0.1	*)
Miles, S.A. Guatemala Branch	Guatemala City, Guatemala	100.0	0.0	0.0	*)
Nunhems Chile S.A.	Santiago de Chile, Chile	100.0	5.1	0.3	*)
Nunhems do Brasil Comercio de Sementes Ltda.	Campinas, Brazil	100.0	2.8	0.3	*)
Nunhems Mexico S.A. de C.V.	Queretaro, Mexico	100.0	3.6	1.7	*)
Nunhems Tohumculuk Anonim Sirketi	Antalya, Turkey	100.0	24.2	6.3	*)
Paltough Industries (1998) Ltd.	Kibbutz Ramat Yochanan, Israel	25.0	66.4	4.4	*)
Productos Químicos Naturales, S.A. de C.V.	Orizaba, Mexico	100.0	11.7	2.7	*)
Químicas Unidas S.A.	Havanna, Cuba	100.0	0.0	0.0	
Schering (Pty.) Ltd.	Midrand, South Africa	100.0	0.0	0.0	
Schering do Brasil Química e Farmacêutica Ltda.	São Paulo, Brazil	100.0	63.1	(0.2)	*)
Schering Peruana S.A.	Lima, Peru	100.0	0.0	0.0	*)
Wehrtec Tecnologia Agricola Ltda.	Cristalina, Brazil	100.0	36.6	1.8	*)

*) Provisional result

In addition, Bayer AG directly or indirectly holds more than 5% of the voting rights in the following major companies, which are not included in the above list (disclosure pursuant to Section 285 No. 11 of the German Commercial Code).

Other Interests in Large Limited Liability Companies

Company Name	Place of Business	Bayer's interest
		%
Hokusan Co. Ltd.	Kitahiroshima, Japan	19.8
Instituto Rosenbusch S.A.	Buenos Aires, Argentina	10.1
PharmLog Pharma Logistik GmbH	Bönen, Germany	16.7

Bayer AG is a partner with unlimited liability in Currenta GmbH & Co. oHG, Leverkusen, Germany (disclosure pursuant to Section 285 No. 11a of the German Commercial Code).

Proposal for Distribution of the Profit

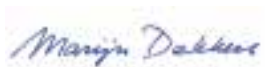
The distributable profit of Bayer AG in 2013 amounted to €1,737 million. We propose that this amount be used to pay a dividend of €2.10 per no-par share (826,947,808 shares) on the capital stock of €2,117 million entitled to the dividend for 2013.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair representation of the assets, liabilities, financial position and profit or loss of the company, and the Combined Management Report includes a fair review of the development and performance of the business and the position of the Bayer Group and Bayer AG, together with a description of the principal opportunities and risks associated with the expected development of Bayer Group and Bayer AG.

Leverkusen, February 17, 2014
Bayer Aktiengesellschaft

The Board of Management



Dr. Marijn Dekkers
Chairman



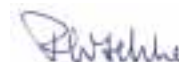
Werner Baumann



Michael König



Kemal Malik



Prof. Dr. Wolfgang Plischke

Auditor's Report

We have audited the annual financial statements, comprising the statement of financial position, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report of Bayer AG, which is combined with the management report of the Bayer Group, for the business year from January 1, 2013 to December 31, 2013. The maintenance of the books and records and the preparation of the annual financial statements and combined management report in accordance with German commercial law are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The combined management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Essen, February 18, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
Wirtschaftsprüfer

Anne Böcker
Wirtschaftsprüferin

Report of the Supervisory Board

Dear stockholders:

During 2013 the Supervisory Board monitored the conduct of the company's business by the Board of Management on a regular basis with the aid of detailed written and oral reports received from the Board of Management, and also acted in an advisory capacity. In addition, the Chairman of the Supervisory Board and the Chairman of the Board of Management maintained a constant exchange of information. In this way the Supervisory Board was kept continuously informed about the company's intended business strategy, corporate planning (including financial, investment and human resources planning), earnings performance, the state of the business and the situation in the company and the Group as a whole.

Where Board of Management decisions or actions required the approval of the Supervisory Board, whether by law or under the Articles of Incorporation or the rules of procedure, the draft resolutions were inspected by the members at the meetings of the full Supervisory Board, sometimes after preparatory work by the committees, or approved on the basis of documents circulated to the members. The Supervisory Board was involved in decisions of material importance to the company. We discussed at length the business trends described in the reports from the Board of Management and the prospects for the development of the Bayer Group as a whole, the individual organizational units and the principal affiliated companies in Germany and abroad.

Four meetings of the Supervisory Board took place during 2013. No member of the Supervisory Board attended fewer than half of its meetings. The average attendance rate by Supervisory Board members at the meetings held in 2013 was 95 percent.

The members of the Board of Management regularly attended the meetings of the Supervisory Board.

PRINCIPAL TOPICS DISCUSSED BY THE SUPERVISORY BOARD

The deliberations of the Supervisory Board focused on questions relating to the strategies and business activities of the Group as a whole and of the subgroups. The discussions at the respective meetings in 2013 centered on various topics. At the February meeting, the Supervisory Board discussed the 2012 Annual Report and the agenda for the 2013 Annual Stockholders' Meeting. It also dealt at length with the Bayer Group's risk management system and matters relating to the Board of Management's compensation.



Werner Wenning, Chairman of the Supervisory Board of Bayer AG

At its meeting in April, the Supervisory Board reviewed the development of the business in the first quarter and discussed the imminent Annual Stockholders' Meeting. It also adopted resolutions on the projects to acquire Conceptus, Inc. and Steigerwald Arzneimittelwerk GmbH.

The discussions at the September meeting of the Supervisory Board focused on the situation of the Group, including developments concerning its strategy and competitive position. The main areas of research in the HealthCare and CropScience subgroups were also discussed along with the compensation of the Board of Management and the changes to the German Corporate Governance Code. Finally, the Supervisory Board adopted a resolution on a formal amendment to the Articles of Incorporation.

At its meeting in December 2013, the Supervisory Board appointed Mr. Kemal Malik to the Board of Management effective February 1, 2014 and extended the term of office of Prof. Wolfgang Plischke as a member of the Board of Management until April 29, 2014, the date of the Annual Stockholders'

Meeting. The Supervisory Board determined ceilings for the compensation of the Board of Management and discussed the latest recommendations of the German Corporate Governance Code. It also undertook the routine review of the fixed compensation of the members of the Board of Management and the pensions of the former members of the Board of Management. Another major focus was on the planned acquisition of Algeta ASA. Also at this meeting, the Board of Management presented its planning for the business operations, the finances and the asset and liability structure of the Bayer Group in the years 2014 through 2016. In addition, the Supervisory Board resolved on the declaration concerning the German Corporate Governance Code. Following the meeting, an information and discussion forum was held on the management of risks associated with legal disputes.

COMMITTEES OF THE SUPERVISORY BOARD

The Supervisory Board has a Presidial Committee, an Audit Committee, a Human Resources Committee and a Nominations Committee. The current membership of the committees is shown on page 56.

The meetings and decisions of the committees, and especially the meetings of the Audit Committee, were prepared on the basis of reports and other information provided by the Board of Management. Reports on the committee meetings were presented at the meetings of the full Supervisory Board.

Presidial Committee: This comprises the Chairman and Vice Chairman of the Supervisory Board along with a further stockholder representative and a further employee representative. The Presidial Committee serves primarily as the mediation committee pursuant to the German Codetermination Act. It has the task of submitting proposals to the Supervisory Board on the appointment of members of the Board of Management if the necessary two-thirds majority is not achieved in the first vote at a meeting of the full Supervisory Board. Certain decision-making powers in connection with capital measures, including the power to amend the Articles of Incorporation accordingly, are also delegated to this committee. The Presidial Committee may also undertake preparatory work for full meetings of the Supervisory Board.

In 2013 the Presidial Committee was not required to convene in its capacity as the mediation committee or for any other purpose.

Audit Committee: The Audit Committee comprises three stockholder representatives and three employee representatives. The Chairman of the Audit Committee in 2013, Dr. Klaus Sturany, satisfies the statutory requirements concerning the independence and the expertise in the field of accounting or auditing that a member of the Supervisory Board and the Audit Committee is required to possess. The Audit Committee meets regularly four times a year.

Its tasks include examining the company's financial reporting along with the financial statements of Bayer AG, the consolidated financial statements of the Bayer Group, the combined management report, the proposal for the use of the distributable profit of Bayer AG, and the interim financial statements and management reports of the Bayer Group, all of which are prepared by the Board of Management. On the basis of the auditor's report on the audit of the financial statements of Bayer AG, the consolidated financial statements of the Bayer Group and the combined management report, the Audit Committee develops proposals concerning the approval of the statements by the full Supervisory Board. The Audit Committee is also responsible for the company's relationship with the external auditor. The Audit Committee submits a proposal to the full Supervisory Board concerning the auditor's appointment, prepares the awarding of the audit contract to the audit firm appointed by the Annual Stockholders' Meeting, suggests areas of focus for the audit and determines the audit fees. It also monitors the independence, qualifications, rotation and efficiency of the auditor. In addition, the Audit Committee oversees the company's internal control system – along with the procedures used to identify, track and manage risk – and the internal audit system. It also deals with corporate compliance issues and discusses developments in this area at each of its meetings.

The Chairman of the Board of Management and the Chief Financial Officer regularly attended the meetings of the Audit Committee. Representatives of the auditor were also present at all the meetings and reported in detail on the audit work and the audit reviews of the interim financial statements.

The meetings focused on a number of topics. At the February meeting, the Audit Committee discussed the consolidated financial statements and the Group's tax strategy. It also carefully considered the risk report, which covered the risk management system, planning and market risks, legal risks, corporate compliance, the report on process and organizational risks and the internal control system, and the report by Corporate Auditing. At this meeting it also submitted a recommendation to the full Supervisory Board concerning the resolution to be put before the Annual Stockholders' Meeting on the appointment of the auditor of the financial statements.

The April meeting mainly dealt with the yearly report of the Group Compliance Officer and with determining the main areas of focus for the audit of the 2013 financial statements. The July meeting was devoted to the audit being conducted by the German Financial Reporting Enforcement Panel (DPR). At its meeting in October, the Audit Committee discussed the ongoing reorganization of the accounting function, the status of the DPR audit and the intended integration of the Sustainable Development Report into the management report.

Human Resources Committee: On this committee, too, there is parity of representation between stockholders and employees. It consists of the Chairman of the Supervisory Board and three other members. The Human Resources Committee prepares the personnel decisions of the full Supervisory Board, which resolves on appointments or dismissals of members of the Board of Management. The Human Resources Committee resolves on behalf of the Supervisory Board on the service contracts of the members of the Board of Management. However, it is the task of the full Supervisory Board to resolve on the total compensation of the individual members of the Board of Management and the respective compensation components, as well as to regularly review the compensation system on the basis of recommendations submitted by the Human Resources Committee. The Human Resources Committee also discusses the long-term succession planning for the Board of Management.

The Human Resources Committee convened on three occasions in 2013. The matters discussed at these meetings concerned the compensation and contracts of the members of the Board of Management, the appointment of Mr. Kemal Malik to the Board of Management and the extension of Prof. Wolfgang Plischke's term of office as a member of the Board of Management.

Nominations Committee: This committee carries out preparatory work when an election of stockholder representatives to the Supervisory Board is to be held. It suggests suitable candidates for the Supervisory Board to propose to the Annual Stockholders' Meeting for election. The Nominations Committee comprises the Chairman of the Supervisory Board and the other stockholder representative on the Presidial Committee.

At one meeting and on several other occasions in 2013, the Nominations Committee discussed possible candidates for election to the Supervisory Board as stockholder representatives at the 2014 Annual Stockholders' Meeting. The committee also discussed the mid-term planning for the next regular elections.

CORPORATE GOVERNANCE

The Supervisory Board dealt with the ongoing development of corporate governance at Bayer, taking into account the May 13, 2013 version of the German Corporate Governance Code. In December the Board of Management and the Supervisory Board issued a new declaration concerning the German Corporate Governance Code, which is reproduced on page 135 of the Annual Report.

FINANCIAL STATEMENTS AND AUDITS

The financial statements of Bayer AG were prepared according to the requirements of the German Commercial Code and Stock Corporation Act. The consolidated financial statements of the Bayer Group were prepared according to the German Commercial Code and the International Financial Reporting Standards (IFRS). The combined management report was prepared according to the German Commercial Code. The auditor, PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, has audited the financial statements of Bayer AG, the consolidated financial statements of the Bayer Group and the combined management report. The conduct of the audit is explained in the auditor's reports. The auditor finds that Bayer has complied, as appropriate, with the German Commercial Code, the German Stock Corporation Act and/or the International Financial Reporting Standards endorsed by the European Union, and issues an unqualified opinion on the financial statements of Bayer AG and the consolidated financial statements of the Bayer Group. The financial statements of Bayer AG, the consolidated financial statements of the Bayer Group, the combined management report and the audit reports were submitted to all members of the Supervisory Board. They were discussed in detail by the Audit Committee and at a meeting of the full Supervisory Board. The auditor submitted a report on both occasions and was present during the discussions.

We examined the financial statements of Bayer AG, the proposal for the use of the distributable profit, the consolidated financial statements of the Bayer Group and the combined management report. We have no objections, thus we concur with the result of the audit.

We have approved the financial statements of Bayer AG and the consolidated financial statements of the Bayer Group prepared by the Board of Management. The financial statements of Bayer AG are thus confirmed. We are in agreement with the combined management report and, in particular, with the assessment of the future development of the enterprise. We also concur with the dividend policy and the decisions concerning earnings retention by the company. We assent to the proposal for distribution of the profit, which provides for payment of a dividend of €2.10 per share.

The Supervisory Board would like to thank the Board of Management and all employees for their dedication and hard work in 2013.

Leverkusen, February 26, 2014

For the Supervisory Board:



WERNER WENNING
Chairman

Governance Bodies

Supervisory Board

Members of the Supervisory Board held offices as members of the supervisory board or a comparable supervising body of the corporations listed (as at December 31, 2013 or the date on which they ceased to be members of the Supervisory Board of Bayer AG):

WERNER WENNING

Leverkusen, Germany
(born October 21, 1946)

Chairman of the Supervisory Board effective October 2012

Chairman of the Supervisory Board of Bayer AG and Chairman of the Supervisory Board of E.ON SE

Memberships on other supervisory boards:

- Deutsche Bank AG (until May 2013)
- E.ON SE (Chairman)
- HDI V.a.G. (until May 2013)
- Henkel Management AG (effective September 2013)
- Siemens AG (Vice Chairman effective October 2013)
- Talanx AG (until May 2013)

Memberships in comparable supervising bodies of German or foreign corporations:

- Freudenberg & Co. KG (Chairman of the Shareholders' Committee) (until June 2013)
- Henkel AG & Co. KGaA (Member of the Shareholders' Committee)

THOMAS DE WIN

Cologne, Germany
(born November 21, 1958)

Vice Chairman of the Supervisory Board, Member of the Supervisory Board effective April 2002

Chairman of the Bayer Group Works Council

Chairman of the Bayer Central Works Council

Memberships on other supervisory boards:

- Bayer MaterialScience AG
-

DR. PAUL ACHLEITNER

Munich, Germany
(born September 28, 1956)

Member of the Supervisory Board effective April 2002

Chairman of the Supervisory Board of Deutsche Bank AG

Memberships on other supervisory boards:

- Daimler AG
- Deutsche Bank AG (Chairman)
- RWE AG (until April 2013)

Memberships in comparable supervising bodies of German or foreign corporations:

- Henkel AG & Co. KGaA (Member of the Shareholders' Committee)
-

DR. CLEMENS BÖRSIG

Frankfurt am Main, Germany
(born July 27, 1948)

Member of the Supervisory Board effective April 2007

Member of various supervisory boards

Memberships on other supervisory boards:

- Daimler AG
- Linde AG

Memberships in comparable supervising bodies of German or foreign corporations:

- Emerson Electric Co.
-

ANDRÉ VAN BROICH

Dormagen, Germany
(born June 19, 1970)

Member of the Supervisory Board effective April 2012

Chairman of the Works Council of the Dormagen site of Bayer

Memberships on other supervisory boards:

- Bayer CropScience AG
-

THOMAS EBELING

Muri bei Bern, Switzerland
(born February 9, 1959)

Member of the Supervisory Board effective April 2012

Chief Executive Officer of ProSiebenSat.1 Media AG

Memberships in comparable supervising bodies of German or foreign corporations:

- Lonza Group AG (effective April 2013)
-

DR.-ING. THOMAS FISCHER

Krefeld, Germany
(born August 27, 1955)

Member of the Supervisory Board effective October 2005

Chairman of the Group Managerial Employees' Committee of Bayer

Memberships on other supervisory boards:

- Bayer MaterialScience AG
-

PETER HAUSMANN

Winsen/Aller, Germany
(born February 13, 1954)

Member of the Supervisory Board effective April 2006

Member of the Executive Committee of the German Mining, Chemical and Energy Industrial Union

Memberships on other supervisory boards:

- Continental AG (effective July 2013)
 - Henkel AG & Co. KGaA (effective April 2013)
 - 50Hertz Transmission GmbH
 - Vivawest Wohnen GmbH
-

REINER HOFFMANN

Wuppertal, Germany
(born May 30, 1955)

Member of the Supervisory Board effective October 2006

North Rhine District Secretary of the German Mining, Chemical and Energy Industrial Union

Memberships on other supervisory boards:

- Evonik Services GmbH (Vice Chairman)
 - SASOL Germany GmbH (Vice Chairman)
-

YÜKSEL KARAASLAN

Hohen Neuendorf, Germany
(born March 1, 1968)

Member of the Supervisory Board effective April 2012

Chairman of the Works Council of the Berlin site of Bayer

Vice Chairman of the Bayer Central Works Council

Memberships on other supervisory boards:

- Bayer Pharma AG
-

DR. RER. POL.

KLAUS KLEINFELD

New York, U.S.A.
(born November 6, 1957)

Member of the Supervisory Board effective April 2005

Chairman and Chief Executive Officer of Alcoa Inc.

Memberships in comparable supervising bodies of German or foreign corporations:

- Member of the Board of Directors of Morgan Stanley
-

PETRA KRONEN

Krefeld, Germany
(born August 22, 1964)

Member of the Supervisory Board effective July 2000

Chairman of the Works Council of the Uerdingen site of Bayer

Memberships on other supervisory boards:

- Bayer MaterialScience AG (Vice Chairman)

DR. RER. NAT. HELMUT PANKE

Munich, Germany
(born August 31, 1946)

Member of the Supervisory Board effective April 2007

Member of various supervisory boards

Memberships in comparable supervising bodies of German or foreign corporations:

- Microsoft Corporation
- Singapore Airlines Limited
- UBS AG

SUE H. RATAJ

Sebastopol, U.S.A.
(born January 8, 1957)

Member of the Supervisory Board effective April 2012

Member of the Board of Directors (non-executive) of Cabot Corporation, Boston, U.S.A.

PETRA REINBOLD-KNAPE

Gladbeck, Germany
(born April 16, 1959)

Member of the Supervisory Board effective April 2012

Northeast District Secretary of the German Mining, Chemical and Energy Industrial Union

Memberships on other supervisory boards:

- envia Mitteldeutsche Energie AG
- Vattenfall Europe Generation AG

Memberships in comparable supervising bodies of German or foreign corporations:

- MDSE Mitteldeutsche Sanierungs- und Entsorgungsgesellschaft mbH

MICHAEL SCHMIDT-KIESSLING

Schwelm, Germany
(born March 24, 1959)

Member of the Supervisory Board effective April 2012

Vice Chairman of the Works Council of the Elberfeld site of Bayer

Memberships on other supervisory boards:

- Bayer Pharma AG

PROF. DR.-ING. EKKEHARD D. SCHULZ

Krefeld, Germany
(born July 24, 1941)

Member of the Supervisory Board effective April 2005

Member of various supervisory boards

Memberships on other supervisory boards:

- MAN SE (Vice Chairman)
- RWE AG

DR. KLAUS STURANY*

Ascona, Switzerland
(born October 23, 1946)

Member of the Supervisory Board effective April 2007

Member of various supervisory boards

Memberships on other supervisory boards:

- Hannover Rückversicherung AG (Vice Chairman)

Memberships in comparable supervising bodies of German or foreign corporations:

- Sulzer AG

PROF. DR. DR. H.C. MULT. ERNST-LUDWIG WINNACKER

Munich, Germany
(born July 26, 1941)

Member of the Supervisory Board effective April 1997

Secretary General of the Human Frontier Science Program, Strasbourg

Memberships on other supervisory boards:

- Medigene AG (Chairman) (until July 2013)
- Wacker Chemie AG

OLIVER ZÜHLKE

Solingen, Germany
(born December 11, 1968)

Member of the Supervisory Board effective April 2007

Chairman of the Works Council of the Leverkusen site of Bayer

Chairman of the Bayer European Forum

Standing committees of the Supervisory Board of Bayer AG (as at Dec. 31, 2013)

PRESIDIAL COMMITTEE/ MEDIATION COMMITTEE

Wenning (Chairman), Achleitner, Hausmann, de Win

AUDIT COMMITTEE

Sturany* (Chairman), Fischer, Hoffmann, Schulz, Wenning, de Win

HUMAN RESOURCES COMMITTEE

Wenning (Chairman), Achleitner, Kronen, Zühlke

NOMINATIONS COMMITTEE

Wenning (Chairman), Achleitner

* independent expert member pursuant to Section 100 Paragraph 5 of the German Stock Corporation Act (AktG)

Board of Management

Members of the Board of Management held offices as members of the supervisory board or a comparable supervising body of the corporations listed (as at December 31, 2013 or the date on which they ceased to be members of the Board of Management of Bayer AG):

DR. MARIJN DEKKERS
(born September 22, 1957)

Chairman
(effective October 1, 2010)
Member of the Board of Management effective January 1, 2010, appointed until December 31, 2014

- Board of Directors of General Electric Company

KEMAL MALIK

(born September 29, 1962)

Member of the Board of Management effective February 1, 2014, appointed until January 31, 2017

WERNER BAUMANN
(born October 6, 1962)

Member of the Board of Management effective January 1, 2010, appointed until December 31, 2017

- Bayer Business Services GmbH (Chairman)
- Bayer CropScience AG (Chairman)

MICHAEL KÖNIG
(born September 3, 1963)

Member of the Board of Management effective April 1, 2013, appointed until March 31, 2016

- Labor Director (since June 1, 2013)
- Bayer HealthCare AG (Chairman) (since June 1, 2013)
 - Bayer Pharma AG (Chairman) (since June 1, 2013)
 - Currenta Geschäftsführungs-GmbH (Chairman) (since June 1, 2013)

PROF. DR. WOLFGANG PLISCHKE
(born September 15, 1951)

Member of the Board of Management effective March 1, 2006, appointed until April 30, 2014

- Bayer MaterialScience AG (Chairman)
- Bayer Technology Services GmbH (Chairman)

DR. RICHARD POTT

born May 11, 1953

Member of the Board of Management until May 31, 2013

Labor Director

- Bayer Chemicals AG (Chairman)
- Bayer HealthCare AG (Chairman)
- Bayer Pharma AG (Chairman)
- Currenta Geschäftsführungs-GmbH (Chairman)
- SCHOTT AG

Financial Calendar

Q1 2014 Interim Report	April 28, 2014
Annual Stockholders' Meeting 2014	April 29, 2014
Planned dividend payment date	April 30, 2014
Q2 2014 Interim Report	July 30, 2014
Q3 2014 Interim Report	October 30, 2014
2014 Annual Report	February 26, 2015
Q1 2015 Interim Report	April 30, 2015
Annual Stockholders' Meeting 2015	May 27, 2015

MASTHEAD

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