



Science For A Better Life

SPIN-OFF AND TAKEOVER AGREEMENT

between

Bayer Aktiengesellschaft, Leverkusen,
as Transferring Legal Entity

and Bayer Real Estate GmbH, Leverkusen,
as Receiving Legal Entity

JOINT SPIN-OFF REPORT

dated February 24, 2011

by the Board of Management of Bayer Aktiengesellschaft
and the Management of Bayer Real Estate GmbH

in Accordance with Section 127 of the UmwG

presented in Connection with Item 5 of the Agenda of the
Annual Stockholder's Meeting of Bayer Aktiengesellschaft
to be held on April 29, 2011

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The schedules, the Annual Financial Statements of the two companies and the Management Reports of Bayer AG for the last three fiscal years are available at www.hv2011.bayer.de.

1. Parties to the Agreement and Scope of the Agreement

- 1.1 Bayer Aktiengesellschaft (hereinafter “**BAG**”) is domiciled in Leverkusen. It is registered in the commercial register of the Cologne District Court under number HRB 48248. When this Agreement was entered into, its capital stock amounted to EUR 2,116,986,388.48, composed of 826,947,808 no-par value registered shares.
- 1.2 Bayer Real Estate GmbH (hereinafter “**BRE**”) is domiciled in Leverkusen. It is registered in the commercial register of the Cologne District Court under number HRB 48233. When this Agreement was entered into, its capital stock amounted to EUR 1,534,000.00 and was fully paid up. BAG is the sole shareholder of BRE.
- 1.3 On the basis of corresponding contracts, BRE is currently responsible for the management of BAG’s portfolio of land and buildings (hereinafter the “**Property Holdings**”). The Property Holdings mainly consist of: (i) land and buildings owned by BAG, largely industrial land and facilities, as well as agricultural land and forests; (ii) land rights (heritable building rights) to land owned by third parties, and (iii) rented or leased land, buildings, and facilities owned by third parties. BAG intends to harmonize the property management function with the legal assignment of BAG’s Property Holdings. For this purpose, the current separation of the property management tasks and functions undertaken by BRE and the legal assignment of BAG’s Property Holdings will be removed in order to reduce complexity and simplify the structures. Under the terms of this Spin-off and Takeover Agreement, the assets and liabilities that fall within the scope of BAG’s Property Holdings shall therefore be transferred to BRE by way of a Spin-off in accordance with the Umwandlungsgesetz (German Reorganization Act – “UmwG”).

2. General Terms and Conditions

2.1 Spin-off by Way of Acquisition

In accordance with section 123(3) no.1 of the UmwG, BAG as the transferring legal entity shall transfer the portion of its assets and liabilities defined as Spin-off Assets and Liabilities under section 3 of this Agreement as a whole to BRE as the receiving legal entity, against the grant of a new share of BRE (hereinafter the “**Spin-off**”).

2.2 Closing Statement of Financial Position

The Spin-off shall be based on the audited statement of financial position of BAG as of December 31, 2010 as the Closing Statement of Financial Position (hereinafter the “**Closing Statement of Financial Position**”).

2.3 Effective Spin-off Date, Effective Transfer Date for Tax Purposes

The effective transfer between BAG and BRE shall take place at the beginning (0.00) of January 1, 2011 (hereinafter the “**Effective Spin-off Date**”). As of January 1, 2011, 0.00 of BAG’s acts and transactions relating to the Spin-off Assets and Liabilities defined under section 3 shall be deemed to be for the account of BRE. BAG and BRE shall place each other in the position that they would be in if the Spin-off Assets and Liabilities had already been transferred to BRE at the Effective Spin-off Date. The effective transfer date for tax purposes shall be 24.00 on December 31, 2010 in accordance with section 20(6) sentence 2 of the UmwG.

3. Spin-off Assets and Liabilities

3.1 Subject Matter of the Spin-off

BAG shall transfer to BRE in their entirety:

- (a) all tangible and intangible assets and liabilities, including contractual relationships and other legal relationships and legal interests of any kind, receivables and liabilities, and future and contingent receivables and liabilities the legal basis for which already exists, irrespective of whether these are required to be recognized or eligible for recognition or whether they are actually recognized or not (hereinabove and hereinafter **"assets"** or, where reference is made to an individual item, the **"asset"**) that fall within the scope of the Property Holdings of BAG, unless they are expressly exempted from the transfer hereinafter,
 - (b) including all assets expressly included in the Spin-off Assets and Liabilities hereinafter
- ((a) and (b) referred to collectively hereinabove and hereinafter as the **"Spin-off Assets and Liabilities"**).

Unless expressly exempted from transfer hereinafter, the Spin-off Assets and Liabilities shall include:

- (c) all rights and claims of BAG in rem and under the law of obligations to the land, buildings, and building areas in Germany covered by the "Agreement on the Use of Land and Buildings" of March 1, 2002, as amended by addendum 14 dated February 10, 2011, between BAG and BRE (hereinafter the **"Agreement on the Use of Land and Buildings of March 1, 2002"**),
- (d) all assets allocated to the Property profit center (CSUI 491000) in BAG's accounting system at 0.00 on January 1, 2011,
- (e) all assets and liabilities recognized in the Spin-off Statement of Financial Position based on the Closing Balance Sheet and appended as **Schedule 3.1 (e)**.

3.2 Assets and Liabilities Exempt from Transfer

The following assets and liabilities are not included in the Spin-off Assets and Liabilities and shall therefore be exempt from transfer:

- (a) BAG's equity interest in BRE,
- (b) the existing profit transfer agreement between BAG and BRE, including all the rights and obligations arising under that agreement,
- (c) the "Site Agreement for the Chemical Park" notarized by notary public Dr Dieter Janke, with registered offices in Leverkusen (deed no. 2632 of 2004), including all rights and obligations arising under that agreement, without prejudice to section 3.10,
- (d) mortgages and land charges granted to BAG in connection with employee loans, development loans, or other agreements whose main subject matter is the grant of a loan or other financing by BAG,

- (e) the partial areas still to be measured, which are described in detail as the “Partial Area – Group Headquarters” and illustrated in **Schedule 3.2 (e)** (hereinafter the “**Partial Area – Group Headquarters**”), of the land entered in the Wiesdorf land register (Leverkusen District Court), volume 2502 under the sequential numbers (last known to the parties to the Agreement) of 19, 10, and 148 (Wiesdorf subdistrict, cadastral section 15, plots 102, 103, and 272) (hereinafter the “**site to be subdivided**”),
- (f) the “Agreement on the Use of Land and Buildings (Partial Area – Group Headquarters)” dated February 10, 2011 between BAG and BRE concerning the Partial Area – Group Headquarters described under 3.2 (e), including all the rights and obligations arising under that agreement,
- (g) all liabilities, irrespective of whether or not they are recognized, that arose prior to the Effective Spin-off Date, with the exception of those recognized as a liability in the Spin-off Balance Sheet appended to this Agreement as **Schedule 3.1 (e)** and therefore to be transferred to BRE in accordance with section 3.1 (e); the obligations arising due to contamination are specified separately under section 3.2 (h),
- (h) all liabilities, uncertain liabilities, contingent liabilities, and future and conditional liabilities arising from official claims or claims under private law relating to any harmful changes to the soil, water or ground water pollution, or hazardous substances in the building structures (hereinafter collectively referred to as “**contamination**”), provided this contamination concerns the Spin-off Assets and Liabilities and occurred before the Execution Date; this shall specifically also include liabilities and charges arising from liability of the author in accordance with section 4(3) sentence 1 of the Bundesbodenschutzgesetz (Federal Soil Conservation Act, BBodSchG),
- (i) all rights and legal interests, in particular claims against third parties by BAG that arise in connection with contamination that are expressly included in the Spin-off Assets and Liabilities hereinafter, provided that these do not originate from agreements with third parties,
- (j) the “Location Agreement” between BAG and the Federal State of Schleswig-Holstein dated June 9, 1970, and the associated “Site Purchase Agreement” notarized by the notary public Dr. Peter Theede, with registered offices in Kiel (deed no. 920 of 1972), including all the rights and obligations arising under that agreement,
- (k) structures used for promotional purposes erected on land and buildings owned by third parties, in particular the Bayer Crosses, as well as rental agreements, lease agreements, and other agreements on grant of use or transfer of use relating to the land and buildings in question, and the contractual and in rem rights and legal interests of BAG to erect, operate, and maintain these structures.

Where reference is made hereinafter to the “scope of BAG’s Property Holdings”, (a) to (k) under this section 3.2 shall be deemed exempt from transfer and the associated assets and liabilities shall not be deemed to fall within the scope of BAG’s Property Holdings.

3.3 Property Holdings

The Spin-off Assets and Liabilities shall include all land in Germany owned by BAG, in particular the land listed in **Schedule 3.3**, with the exception of the Partial Area – Group Headquarters specified under section 3.2 (e), with the following specific provisions applicable to the sites to be subdivided: If the subdivision of the site is effected by the Execution Date and the new sites created through the subdivision entered in the land register, the sites corresponding to the remaining areas after the division of the Partial Area – Group Headquarters, which may be assigned new plot numbers as appropriate, shall fall within the scope of the Spin-off Assets and Liabilities (hereinafter the “**Remaining Areas**”). If the subdivision of the site has not yet been effected by the Execution Date and the new sites created through the subdivision not entered in the land register, the sites corresponding to the remaining areas shall be included in the Spin-off Assets and Liabilities from an economic perspective, whereas from a legal perspective they shall be excluded from the assets and liabilities transferred to BRE when the Spin-off becomes effective. In this case, however, BAG shall transfer to BRE the new sites corresponding to the Remaining Areas without delay after the subdivision of the site enters into force, with economic effect as of the Effective Spin-off Date. The Spin-off Assets and Liabilities shall also include all material components of the sites included in the Spin-off Assets and Liabilities that are owned by BAG, in accordance with sentences 1 to 3 above.

3.4 Heritable Building Rights, Buildings Held by BAG

The Spin-off Assets and Liabilities shall include all heritable building rights to land in Germany held by BAG, in particular the heritable building rights listed in **Schedule 3.4**, as well as the associated heritable building right contracts, including all the rights and obligations arising under those contracts (within the context of section 3.2(g)). The Spin-off Assets and Liabilities shall therefore also include the buildings and other structures that represent material components of the heritable building rights described in sentence 1 above, including the material components of these buildings and other structures.

3.5 Relationships under Heritable Building Rights Concerning the Property Holdings Covered by Section 3.3

The Spin-off Assets and Liabilities shall include all heritable building right contracts relating to the land in Germany owned by BAG covered by section 3.3, in particular the heritable building right contracts relating to the heritable building rights listed in Schedule 3.5, including all the rights and obligations arising under each of those contracts (within the context of section 3.2(g)).

3.6 Other Land Register Entries Concerning the Property Holdings Covered by Section 3.3

The Property Holdings covered by section 3.3 and the heritable building rights covered by section 3.4 shall be transferred together with any charges entered in the land register or register of heritable building rights, as well as any rights enjoyed by the owner or holder of the land or heritable building rights in question, including any easements or rights of pre-emption. The Spin-off Assets and Liabilities shall also include all contracts between BAG as the owner or holder of a heritable building right and third parties the subject matter of which is the charges and rights described in the sentence 1 above, including all the rights and obligations arising under those contracts (within the context of section 3.2(g)).

3.7 Rental and Lease Agreements, Grant of Use and Transfer for Use to BAG

With the exception of the contracts covered by section 3.2(k), the Spin-off Assets and Liabilities shall include all rental and lease agreements for land, buildings, or building areas in Germany or significant components of such, as well as other contracts concerning grant of use or transfer for use entered into between BAG as the tenant, lessee, or beneficiary of other rights to use the land, building, or building area and external third parties or Group

companies other than BRE, including all the rights and obligations arising under those contracts (within the context of section 3.2(g)). The contracts covered by sentence 1 above and therefore included in the Spin-off Assets and Liabilities shall in particular include the contracts recorded in BRE's contract database "Liegenschaftsinformationssystem" (Property Information System) under the document numbers listed in **Schedule 3.7**.

3.8 Rental and Lease Agreements, Grant of Use and Transfer for Use by BAG

The Spin-off Assets and Liabilities shall include all rental and lease agreements for land, buildings, or building areas in Germany, as well as other contracts concerning grant of use or transfer for use entered into between BAG as the landlord, lessor, or grantor of other rights to use the land, building, or building area and external third parties or Group companies other than BRE, including all the rights and obligations arising under those contracts (within the context of section 3.2(g)). The contracts covered by sentence 1 above and therefore included in the Spin-off Assets and Liabilities shall in particular include the contracts recorded in BRE's contract database "Liegenschaftsinformationssystem" (Property Information System) under the document numbers listed in **Schedule 3.8 (i)** and the special contracts for the transfer of use of operating facilities within the meaning of section 68(2) of the Bewertungsgesetz (German Valuation Act) listed in **Schedule 3.8 (ii)**.

3.9 Agreement on the Use of Land and Buildings

The Spin-off Assets and Liabilities shall also include the Agreement on the Use of Land and Buildings between BAG and BRE dated March 1, 2002, which shall expire upon transfer on the Execution Date as a result of a confusion of rights.

3.10 Accession to the Site Agreement

Although the "Site Agreement for the Chemical Park" notarized by notary public Dr Dieter Janke, with registered offices in Leverkusen (deed no. 2632 of 2004), shall not be included in the Spin-off Assets and Liabilities, BRE shall accede to this agreement with economic effect as of the Effective Spin-off Date and shall fully assume the legal interests of BAG in respect of the land to be transferred. BRE further agrees to impose a corresponding obligation on any legal successors with regard to the land in question.

3.11 Other Legal Interests in Land Owned by Third Parties

The Spin-off Assets and Liabilities shall include all existing rights of purchase (repurchase options), rights of way, emission rights, and tolerances relating to the land or heritable building rights of third parties enjoyed by BAG, in particular all rights of preemption and easements in favor of BAG entered in a land register or register of heritable building rights in Germany, as well as all contracts between BAG and third parties the subject matter of which is these legal interests, including all rights and obligations arising under those contracts (within the context of section 3.2(g)). The Spin-off Assets and Liabilities shall also include all site purchase agreements entered into by BAG as the purchaser, including all rights and obligations arising under those agreements (within the context of section 3.2(g)), in particular all rights to title and the associated liens, including priority notice in the land register, if applicable. In addition, the Spin-off Assets and Liabilities shall include all existing duties of purchase applicable to BAG in relation to the land or heritable building rights of third parties, as well as all contracts between BAG and third parties the subject matter of which is these legal interests, including all rights and obligations arising under those contracts (within the context of section 3.2(g)).

3.12 Payments on Account, Construction in Progress

The Spin-off Assets and Liabilities shall also include all rights and legal interests arising from payments on account that fall within the scope of the BAG's Property Holdings, in particular any claims arising thereunder.

3.13 Contracts under Public Law and Other Legal Relationships under Public Law

The Spin-off Assets and Liabilities shall include all

- (a) contracts under public law,
- (b) approvals, permits, licenses, authorizations under public law, and any other entitlements under public law (hereinafter "**Entitlements under Public Law**"), and
- (c) other directives and decisions under public law, and other official measures (hereinafter "**Other Measures under Public Law**")

of any kind that fall within the scope of BAG's Property Holdings, including all the rights and obligations arising under these contracts under public law, Entitlements under Public Law, and Other Measures Under Public Law. The contracts under public law covered by this provision shall include monument conservation agreements and contracts under public law governing legacy contamination that relate to the land specified under section 3.3, as well as property exchange agreements with local authorities, in particular the contracts listed in **Schedule 3.13** by subject matter, contractual partner, and contract date.

3.14 Relationships under Procedural Law

The Spin-off Assets and Liabilities shall include all

- (a) legal interests under procedural law in respect of third parties, including those arising from administrative proceedings and arbitration proceedings, and all contractual agreements with third parties concerning the recognition or corresponding implementation of the results of court proceedings, administrative proceedings, or arbitration proceedings, or the assertion of rights reserved for the parties to the proceedings, and
- (b) enforceable titles arising from dunning procedures and other relationships under procedural law concluded before the Execution Date

that relate to the Spin-off Assets and Liabilities or otherwise fall within the scope of the Property Holdings of BAG.

3.15 Additions and Disposals Prior to the Execution Date

The portfolio of Spin-off Assets and Liabilities as of the Execution Date shall determine the scope of the transfer of assets and liabilities. The addition and disposal of assets in the period prior to the Execution Date, in particular purchases of land by BAG not yet completed by entry in the land register and the sale of land by BAG already completed by entry in the land register, shall be taken into account in the transfer. Accordingly, the Spin-off Assets and Liabilities shall also include all assets and liabilities that fall within the scope of BAG's Property Holdings, including any substitutes, that were added to or arose within the scope of BAG's Property Holdings before the Execution Date, unless otherwise expressly specified under section 3. Those Spin-off Assets that fall within the scope of the Property Holdings of BAG under this Agreement that are sold prior to the Execution Date or are not or no longer held by BAG as of the Execution Date shall not be transferred to BRE.

3.16 Retention of Title, Expectancies, Recovery Claims, and Co-ownership

If the Spin-off Assets and Liabilities are subject to the retention of title by third parties or if BAG has transferred title to third parties by way of security as of the Execution Date, the Spin-off Assets and Liabilities shall include all rights and obligations (within the context of section 3.2 (g)) accruing to BAG in this connection, including expectancies and recovery claims. If the items forming the Spin-off Assets and Liabilities are subject to co-ownership as of the Execution Date, the share of ownership held by BAG shall be included in the Spin-off Assets and Liabilities.

4. Terms and Conditions of Transfer

4.1 Execution of the Spin-off, Execution Date

The transfer of the Spin-off Assets and Liabilities shall take place with effect in rem when the Spin-off is recorded in the commercial register of BAG (referred to hereinabove and hereinafter at the “**Execution Date**”). Ownership of the immovable and movable items of the Spin-off Assets and Liabilities shall also be transferred to BRE as of the Execution Date. If the items included in the Spin-off are in the possession of third parties, BAG shall also transfer its recovery claims as of the Execution Date with effect in rem.

4.2 Business Documents, Confidentiality

BRE shall acquire possession of all business documents and records that concern BAG’s Property Holdings or that are maintained by BAG in connection with these holdings, in particular contractual and approval documents, and construction and building plans. BRE shall also acquire possession of all deeds required to assert the rights to be transferred to it. BRE shall keep these documents, records, and deeds for BAG for the statutory retention periods and shall ensure that BAG is able to inspect and make photocopies of them. All business and trade secrets shall be treated in confidence.

4.3 Obstacles to Transfer

If certain assets and liabilities that are to be transferred to BRE under this Spin-off and Transfer Agreement are not transferred to BRE upon entry of the Spin-off in the commercial register of BAG, BAG shall separately transfer these assets and liabilities in accordance with the provisions applicable in each case, provided that the transfer between BAG and BRE takes effect as of the Effective Spin-off Date. BRE shall be required to accept the transfer. Until the transfer becomes effective, BRE shall, at the request of BAG, undertake any necessary or expedient acts and measures and issue any necessary or expedient declarations that BRE would undertake or issue if the transfer had taken place as of the Execution Date, in particular any acts, measures, and declarations necessary or expedient for the fulfillment of the contractual or other obligations still applicable to BAG.

4.4 Third-party Approvals, Legal Acts and Measures under Public Law

Should third-party approval, authorization under public law, or other acts or measures under public law be required for the transfer of certain assets and liabilities, BAG and BRE shall endeavor to obtain or ensure them.

4.5 Catch-all Clause

If transfer to BRE is not possible externally, BAG and BRE shall place themselves in the positions internally that they would have been in if the transfer had taken place externally as of the Effective Spin-off Date. The same shall apply if the third-party approval or act or measure under public law described in section 4.4. is not granted or does not occur.

4.6 General Duties of Cooperation

BAG and BRE shall make any declarations, issue any deeds, and undertake any other measures or legal acts that are required or expedient in connection with the transfer of the Spin-off Assets and Liabilities.

4.7 Retransfer Obligation

If assets and liabilities that are not to be transferred to BRE under this Spin-off and Transfer Agreement are transferred to BRE for legal reasons, BRE shall be required to retransfer such assets and liabilities to BAG. BAG shall be required to accept the retransfer. The parties shall place themselves in the positions internally that they would have been in had the transfer not taken place as of the Execution Date. In this respect, the provisions of sections 4.3 to 4.6 shall apply, with the necessary modifications.

4.8 Creditor Protection and Internal Settlement

If and to the extent that creditors assert claims against BAG or BRE for liabilities or obligations based on the provisions of section 133 of the UmwG or other legal or contractual provisions, or based on liability relationships attributable to the other legal entity under the terms of this Spin-off and Takeover Agreement, the other legal entity shall upon first request indemnify the legal entity against which the claim has been asserted against such liabilities and obligations.

4.9 Exclusion of Liability

Any claims and rights of BRE against BAG based on the quality or existence of the Spin-off Assets and Liabilities to be transferred by BAG under the terms of this Spin-off and Transfer Agreement, or individual items of these assets and liabilities, are hereby excluded. This exclusion shall apply to all rights and claims of BRE, irrespective of their nature or legal basis, and regardless of whether they were known or unknown to BRE, whether they have fallen due, are unconditional or conditional, or whether they already exist or only arise in future. It shall apply in particular to claims arising from the breach of precontractual or contractual obligations or the breach of statutory obligations. The provisions of this section 4.9 shall be without prejudice to the claim to indemnification under section 4.10 below.

4.10 Claim to Indemnification

BAG shall be required to indemnify BRE against any official claims or claims under private law in connection with any contamination occurring prior to the Execution Date, provided that such claims relate to the Spin-off Assets and Liabilities, and any associated measures required, including investigation, safety, and decontamination measures. The following shall apply:

- (a) The indemnification shall be subject to the requirement that BRE shall inform BAG without delay of any claim and BAG shall have the opportunity to contest the claim.

- (b) The indemnification shall be limited to those investigation, decontamination, and safety measures that are required on the basis of statutory provisions and official directives or to prevent claims under civil or criminal law, or to comply with generally recognized principles regarding the necessity of investigation, decontamination, and safety measures. Agreements with the competent authorities and/or other third parties shall require the prior written approval of BAG.
- (c) The entitlement to indemnification may not be transferred to third parties in whole or in part without the prior consent of BAG. The indemnification shall not apply to the contractual claims of third parties against BRE arising from agreements that did not receive prior written approval from BAG. Approval may be granted for an individual case or generally, for specific cases, or until cancellation.
- (d) The indemnification shall not apply to contamination occurring after the Execution Date. If the parties concerned are unable to agree on the date that the contamination occurred, the parties shall appoint an independent expert to decide on the matter. If the parties are unable to agree on an appropriate expert within one month, the choice of expert shall be made by the president of the local chamber of commerce and industry upon application by only one of the parties.
- (e) BRE shall notify BAG of any claims made by third parties under private or public law in a timely manner, i.e., before a loss of rights occurs. Upon BAG's request and after assumption of the associated costs, BRE shall endeavor to refute the claim in cooperation with BAG. Agreements with any third parties under public or private law shall require the prior approval of BAG. Failure to comply with this procedure shall lead to the loss of the entitlement to indemnification described herein if this non-compliance may give rise to a loss of rights for one of the parties involved.
- (f) BRE shall be obliged to give priority to asserting any existing indemnification, liability, or other claims against third parties, in particular tenants, lessees, or other beneficiaries of rights of use or transfers for use of the land, buildings, building areas, or structures concerned, and, if such claims are successful, to partly or fully reimburse BAG for any payments already received on the basis of this section 4.10, or, if the third party has not yet fulfilled its obligation, to assign to BAG the corresponding claims against the third party. This shall not apply to any claims against Lanxess Aktiengesellschaft or its affiliates if these claims may only be asserted by BAG in accordance with the "Master Agreement" between BAG and Lanxess Aktiengesellschaft of September 22, 2004. However, BRE shall support BAG in the assertion and enforcement of such claims as far as possible.
- (g) The provisions of this section 4.0 shall not prevent the parties from making alternative provisions generally or on a case-by-case basis for future issues relating to contamination by means of separate agreements.

5. Consideration

5.1 Capital Increase to Implement the Spin-off

In order to execute the Spin-off, BRE shall increase its share capital by EUR 1,000.00, from EUR 1,534,000.00 to EUR 1,535,000.00, by creating a new share with a nominal value of EUR 1,000.00.

5.2 Grant of a Share

As compensation for the transfer of the Spin-off Assets and Liabilities, BRE shall grant BAG the new share with a nominal value of EUR 1,000.00. The share shall be granted free of charge and shall entitle BAG to a share of profits as of January 1, 2011. If the Effective Spin-off Date specified in section 8.1 is deferred, the start date of the entitlement to a share in profits arising from the new share shall be deferred accordingly. The share shall be provided with its own number in the list of stockholders.

5.3 Appropriation to Capital Reserves

The amount by which the carrying amount of the net assets transferred by BAG to BRE as a result of the Spin-off exceeds the notional interest in the share capital of the share granted in compensation shall be allocated to BRE's capital reserves in accordance with section 272(2) no. 1 of the *Handelsgesetzbuch* (German Commercial Code).

6. Special Rights and Benefits

6.1 No Special Rights

No rights or other measures for individual stockholders or special rights holders within the meaning of section 126(1) no. 7 of the UmwG shall be granted.

6.2 No Special Benefits

No special benefits as defined by section 126(1) no. 8 of the UmwG for members of the Board of Management, executives, or the Supervisory Board of either of the companies involved in the Spin-off or an auditor of either of the companies involved shall be granted.

7. Implications of the Spin-off for Employees and Employee Representation

No employees are allocated to BAG's Property Holdings. Consequently, no employment relationships, operations, or business units as defined by labor law shall be transferred to BRE. The existing collective agreements and works agreements within the BAG Group shall not be affected by the Spin-off. The Spin-off shall not affect the existing protection against termination of employment provided by law, collective agreements, or other means. Finally, the Spin-off shall not affect employee representative bodies.

8. Miscellaneous

8.1 Change of Execution Date

If the Spin-off is not entered in the commercial register of BAG by December 31, 2011, the Effective Spin-off Date shall be January 1, 2012, contrary to section 2.3. In this case, the Spin-off shall be based on the statement of financial position of BAG to be prepared as of December 31, 2011 as the Closing Statement of Financial Position. If the entry is further delayed beyond December 31 of the following year, the effective Spin-off Date and the Closing Statement of Financial Position date shall each be deferred by one year in accordance with the above provision. The same shall apply to the effective transfer date for tax purposes as defined by sentence 1 of section 2.3.

8.2 Applicable Law, Legal Venue

This Agreement shall be subject to German law. The legal venue for any disputes arising from this Spin-off and Transfer Agreement is Leverkusen.

8.3 Costs and Taxes

BAG and BRE shall each bear half of the costs arising in connection with the preparation, conclusion, and implementation of this Spin-off and Transfer Agreement and the measures required for it to take effect, as well as any taxes payable upon its implementation. This shall not apply to the costs associated with the capital increase of BRE, which shall be borne solely by BRE. In addition, it shall not apply to the costs of the respective stockholder meetings or the costs of applying for entry and entry in the commercial register, which shall be borne individually by each of the parties.

8.4 Severability Clause

If one or more of the provisions of this Spin-off and Transfer Agreement is or becomes invalid, unenforceable, or ineligible for entry in the commercial register, this shall be without prejudice to the remaining provisions of the Agreement. The same shall apply if this Agreement is found to contain an omission. The invalid or unenforceable provision or provision ineligible for entry in the commercial register and any omissions shall be replaced with a legally valid provision that reflects as closely as possible the intentions of the parties at the time of entering into this Spin-off and Transfer Agreement or that they would have had if they had considered the issue at that time.

8.5 Entry into Effect, Termination

This Spin-off and Transfer Agreement shall only enter into effect upon approval by the Stockholders' Meeting of BAG and the Stockholders' Meeting of BRE. The Spin-off shall also require entry in the commercial register of BAG in order to take effect. This may only take place after entry in the commercial register of BRE. If the entry in the commercial register of BAG is not made by the end of March 31, 2012, each of the parties shall be entitled to terminate this Spin-off and Transfer Agreement with one month's notice. Termination must be notified in writing. The notice of termination in the required form and within the prescribed period shall become invalid if entry in the commercial register of BAG is made before the end of the notice period.

8.6 Schedules

The Schedules to this Agreement form an integral part of this Agreement.

Leverkusen, February 17, 2011
Bayer Aktiengesellschaft

Leverkusen, February 17, 2011
Bayer Real Estate GmbH

JOINT SPIN-OFF REPORT

dated February 24, 2011

by the Board of Management of Bayer Aktiengesellschaft
and the Management of Bayer Real Estate GmbH

in Accordance with Section 127 of the UmwG

presented in Connection with Item 5 of the Agenda of the
Annual Stockholder's Meeting of Bayer Aktiengesellschaft
to be held on April 29, 2011

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I. INTRODUCTION AND SUBJECT MATTER OF THIS REPORT

Bayer Aktiengesellschaft (hereinafter also “**BAG**”) has an extensive real estate portfolio in Germany. It has appointed Bayer Real Estate GmbH (hereinafter also “**BRE**”) under contract to manage its entire Property Holdings. BAG intends to harmonize the property management function with the legal assignment of BAG’s Property Holdings. For this purpose, the current separation of the property management tasks and functions undertaken by BRE and the legal assignment of BAG’s Property Holdings will be removed in order to reduce complexity. In order to achieve this, all of the assets and liabilities that fall within the scope of BAG’s Property Holdings and all assets included in the Spin-off Assets and Liabilities in the Spin-off Agreement shall be transferred to BRE by way of a Spin-off in accordance with the Umwandlungsgesetz (German Reorganization Act – “**UmwG**”).

On February 17, 2011, BAG and BRE therefore entered into a Spin-off and Transfer Agreement (the “**Spin-off Agreement**”) notarized by notary public Dr. Thilo Weimer, with registered offices in Leverkusen, regarding the Spin-off to BRE of the assets and liabilities described in detail therein that fall within the scope of BAG’s Property Holdings (the “**Spin-off Assets and Liabilities**”) (the “**Spin-off**”). This Spin-off Agreement is to be presented for approval to the Annual Stockholders’ Meeting of BAG on April 29, 2011 (“**Annual Stockholders’ Meeting 2011**”). The Board of Management and Supervisory Board are proposing that the Annual Stockholders’ Meeting 2011 approve the Spin-off Agreement.

The Board of Management of BAG and the Management of BRE are herewith submitting their joint report in accordance with Section 127 of the UmwG (“**Spin-off Report**”) that explains and justifies the Spin-off and the Spin-off Agreement from a legal and economic perspective. The Spin-off Agreement and this Spin-off Report will be available on the Internet from the date on which the notice convening BAG’s Annual Stockholders’ Meeting 2011 is published. Upon request, each stockholder shall receive a copy of the Spin-off Agreement (excluding schedules) and the Spin-off Report free of charge.

The legal and economic grounds for the Spin-off are set forth under section II below. The implementation of the Spin-off is described under section III. The legal, economic, and tax implications of the Spin-off are described in section IV. Details of the Spin-off Agreement are provided in section V.

II. LEGAL AND ECONOMIC GROUNDS FOR THE SPIN-OFF

In the following, the companies involved in the Spin-off (see section II. 1.) and the Spin-off Assets and Liabilities (see section II. 2.) are described, the reasons for and objective of the Spin-off are presented (see section II. 3.), alternatives to the Spin-off are outlined (see section II. 4.), and the costs of the Spin-off are defined (see section II. 5.).

1. DESCRIPTION OF THE COMPANIES INVOLVED IN THE SPIN-OFF

1.1 Bayer Aktiengesellschaft and the Group it Manages

- (a) Domicile, Fiscal Year and Corporate Purpose of Bayer Aktiengesellschaft.

BAG is domiciled in Leverkusen and acts as the management holding company of the Bayer Group. It is registered in the commercial register of the Cologne local court under number HRB 48248. When the Spin-off Agreement was entered into, its capital stock amounted to €2,116,986,388.48, composed of 826,947,808 no-par value shares. BAG’s fiscal year corresponds to the calendar year.

In accordance with its Articles of Incorporation, the purpose of the company is production, distribution, other industrial activities, and provision of services in the fields of healthcare, agriculture, polymers, and chemicals. BAG is entitled to conduct all business activities associated with the company's purpose or that directly or indirectly serve to achieve this purpose.

The company may establish, acquire, or invest in other companies, particularly those whose corporate purpose covers the abovementioned fields in whole or in part. It may include companies in which it holds an equity interest in its uniform management or limit its involvement to the management of the equity interest. It may spin off its operations into affiliates in whole or in part, or dispose of affiliates.

(b) Business Activities and Equity Interests

(i) Overview of the Bayer Group

The Bayer Group is a globally active enterprise that focuses on the fields of health care, nutrition, and high-tech materials under the slogan "Bayer: Science For Better Life." Bayer is represented on all five continents through a large number of affiliates.

BAG is the parent company of the Bayer Group, and, as the strategic management holding company, defines the Group-wide values, targets, and strategies, as well as assuming responsibility for executive and financial management within the Group. Approved guidelines on the strategy, planning, and management of the Group's business activities have been issued. The Corporate Center supports the Board of Management of BAG in the strategic management of the Group.

Under the management of BAG, business operations are the responsibility of three subgroups: Bayer HealthCare, Bayer CropScience, and Bayer MaterialScience. These subgroups are supported in particular by the service companies Bayer Business Services GmbH, Bayer Technology Services GmbH, and Currenta GmbH & Co. OHG.

(ii) Subgroups and Significant Service Companies of the Bayer Group

Subgroups of the Bayer Group

The business operations of the Bayer Group are the responsibility of the three subgroups Bayer HealthCare, Bayer CropScience, and Bayer MaterialScience, whose respective management companies, Bayer HealthCare AG, Bayer CropScience AG, and Bayer MaterialScience AG, manage the business activities of the domestic and international affiliates assigned to them.

The subgroups operate independently within the framework of the strategies, objectives, and guidelines set by the Board of Management of BAG, and have global responsibility for their business operations and their own management.

There is a control and profit transfer agreement between BAG, as the controlling company, and each of the individual management companies.

Service Companies of the Bayer Group

Since the implementation of the holding structure in the Bayer Group in 2003, the central service functions within the Bayer Group, particularly those covering all of the subgroups, have largely been combined in the three service companies Bayer Business Services GmbH, Bayer Technology Services GmbH, and Currenta GmbH & Co. OHG.

Currenta GmbH & Co. OHG, in which Bayer AG holds a 60% interest and Lanxess Deutschland GmbH holds 40%, previously traded as Bayer Standort Dienste GmbH & Co. OHG and subsequently Bayer Industry Services GmbH & Co. OHG. During the Group restructuring

in 2002, it took over responsibility for real estate management for the Bayer Group, which has since been transferred to BRE.

BRE is also a service company of BAG. On the basis of corresponding contracts, BRE is currently responsible for the management of BAG's portfolio of land and buildings (hereinafter the "**Property Holdings**").

(iii) Corporate Center

The Group's Board of Management is supported in its management tasks by the Corporate Center. In addition to supporting BAG's Board of Management, the Corporate Center also provides services within the scope of its responsibilities to many Bayer Group companies in return for payment.

The Corporate Center is composed of the following departments: Corporate Office, Corporate Communications, Public Relations, Group Internal Audit, Human Resources, Corporate Development, Group Finance, Legal and Patents, Group Accounting, Regional Coordination, and Sustainability Management.

(c) Business Developments in 2010

(i) Bayer Group

Detailed information on the business developments of BAG and the Group can be found in the 2010 Annual Report (documents on Agenda Item 1 of the Annual Stockholders' Meeting 2011).

(d) Capital and Stockholders

(i) Capital, Treasury Stock

Capital Stock

At the time this Spin-off Report was submitted, BAG's capital stock amounted to €2,116,986,388.48, composed of 826,947,808 no-par value registered shares. There are two authorized capital tranches of up to €530,000,000.00 (Authorized Capital I) and up to €211,698,560.00 (Authorized Capital II), as well as conditional capital of up to €211,698,560.00.

Treasury Stock

BAG does not currently hold any treasury stock.

(e) Board of Management and Supervisory Board

Board of Management of BAG

BAG's Board of Management is composed of at least two members in accordance with Article 6(2) of the Articles of Incorporation. Over and above this, the Supervisory Board determines the number of Board of Management members. The Board of Management of BAG currently has four members, namely Dr. Marijn Dekkers (Chairman of the Board of Management), Werner Baumann (Finance), Dr. Wolfgang Plischke (Innovation, Technology, and Environment), and Dr. Richard Pott (HR Director, Strategy and Human Resources).

At the time the Spin-off Agreement was entered into, BAG was and still is legally represented by two members of the Board of Management or by one member of the Board of Management together with one Prokurist (authorized signatory with full power of representation), in accordance with Article 7 of the Articles of Incorporation.

Supervisory Board of BAG

BAG's Board of Management is composed of 20 members in accordance with Article 8(1) of the Articles of Incorporation. Ten members are elected by the Stockholders' Meeting in accordance with the provisions of the Aktiengesetz (German Stock Corporation Act), and ten by the employees in accordance with the provisions of the Mitbestimmungsgesetz (Codetermination Act) of May 4, 1976 (MitbestG).

The Supervisory Board of BAG currently consists of Dr. Manfred Schneider (Chairman), Dr. Paul Achleitner, Dr. Clemens Börsig, Prof. Dr. e.h. Hans-Olaf Henkel, Dr. Klaus Kleinfeld, Dr. Helmut Panke, Dr. Ekkehard Schulz, Dr. Klaus Sturany, Dipl.-Ing. Dr.-Ing. e.h. Jürgen Weber, and Prof. Dr. Dr. h.c. Ernst-Ludwig Winnacker as stockholder representatives, and Thomas de Win (Deputy Chairman), André Aich, Willy Beumann, Dr. Thomas Fischer, Peter Hausmann, Reiner Hoffmann, Petra Kronen, Hubertus Schmoldt, Roswitha Süßelbeck, and Oliver Zühlke as employee representatives.

(f) Employees and their Representation on the Supervisory Board

During fiscal year 2010, the Bayer Group had an average of 111,300 employees (full-time equivalents, excluding vocational and other trainees).

No BAG employees are allocated directly to BAG's Property Holdings. The associated tasks are performed exclusively by the employees of BRE, with the exception of the activities relating to accounting and taxes covered by BAG's Finance department.

As the Group's parent company, BAG has a Supervisory Board of 20 members with equal representation, in accordance with the Codetermination Act, whereby the employees of the Group companies have the right to vote and to stand for election, in accordance with the Codetermination Act. Other Group companies also have Supervisory Boards, based on the relevant regulations.

1.2 Bayer Real Estate GmbH

(a) Domicile, Fiscal Year, and Corporate Purpose

BRE is domiciled in Leverkusen. It is registered in the commercial register of the Cologne local court under number HRB 48233. BRE's fiscal year corresponds to the calendar year.

In accordance with its Articles of Incorporation, the purpose of the company is the construction and management of its own and third-party buildings, and of structures, on its own account and for the account of third parties, as well as the purchase and sale of undeveloped and developed land (including as the developer), and the performance of any other associated business transactions, including rental and lease transactions.

BRE is entitled to conduct all acts associated with the company's purpose or that directly or indirectly serve to achieve this purpose. The company may establish subsidiaries in Germany, invest in other companies of the same or a related nature in Germany and abroad, or acquire such companies.

(b) Business Activities and Equity Interests

BRE is BAG's real estate service provider and is among the largest corporate real estate companies in Germany. BRE supports, arranges, and advises on all issues relating to real estate management at the German Bayer locations, assists in international real estate projects of Bayer Group companies, and provides accommodations for employees and private individuals

(i) Development of Real Estate Management within the Bayer Group and Assumption of Real Estate Management by BRE

During the restructuring of the Group in 2002/2003, when BAG was established as the Group's non-operating holding company, real estate management was initially assigned to Currenta GmbH & Co. OHG.

As the basis for real estate management, an Agreement on the Use of Land and Buildings was entered into with Currenta GmbH & Co. OHG concerning all of the land and buildings used by BAG and Bayer Group companies, or owned by BAG.

Certain of the Property Holdings were transferred to Lanxess Deutschland GmbH when the Lanxess subgroup was spun off.

As the operator of the Chemical Park, Currenta GmbH & Co. OHG entered into a Site Agreement with the then owners of the site, BAG and Lanxess AG/Lanxess Deutschland GmbH (new owners later acceded to the Site Agreement as the site changed hands). The Site Agreement governs the rights of the owners in respect of each other, the rights of Currenta GmbH & Co. OHG in respect of the owners with regard to the land and infrastructure facilities required by Currenta GmbH & Co. OHG to perform its duties as the operator of the Chemical Park, as well as the obligations of the Chemical Park owners towards the other owners (e.g., toleration of nuisances) and towards the Chemical Park operator. The Spin-off Agreement provides for BRE acceding to the Site Agreement.

After Lanxess Deutschland GmbH became a stockholder of Currenta GmbH & Co. OHG alongside BAG, BRE acquired the real estate business of Currenta GmbH & Co. OHG effective August 1, 2008. As part of this transfer of operations as defined by section 613 a of the German Civil Code (BGB), the employment contracts of the employees assigned to this business unit of Currenta GmbH & Co. OHG were transferred to BRE.

In the context of this transfer, BRE acceded to the existing Agreement on the Use of Land and Buildings with BAG concerning all of the Property Holdings of BAG, as well as the Agreements on the Use of Land and Buildings with the subgroups and service companies, in place of Currenta GmbH & Co. OHG.

There is also an Agreement on the Use of Land and Buildings between BRE and Currenta GmbH & Co. OHG concerning the areas used exclusively by Currenta GmbH & Co. OHG itself. In addition, in order to perform its duties as Chemical Park manager, the Site Agreement grants Currenta GmbH & Co. OHG rights of use to areas on which infrastructure facilities are located and to the infrastructure facilities directly.

(ii) Current Status and Scope of BRE's Real Estate Management

Since the above-mentioned transfer of property management activities from Currenta GmbH & Co. OHG to BRE, BRE has taken over the management of the sites owned by BAG with approximately 130 employees.

BRE, and not BAG, assumes the role of landlord or lessor on the market, both within the Group and externally. If individual Agreements on the Use of Land with external users were unable to be transferred despite approval in exceptional cases, the management of the agreements is still assumed by BRE, although BAG remains the contractual partner in legal terms.

As part of its property management for BAG, BRE reports directly to the manager of the relevant department of BAG's Corporate Office. Based on the information provided by BRE, the Corporate Office assumes formal budget responsibility where the interests of the owner under civil law are concerned. The operational side of the property management business is the responsibility of BRE.

The management by BRE of the real estate owned by BAG and rented by BAG from third parties throughout Germany, consists of the following primary tasks:

- Management of the Bayer Group's real estate portfolio in Germany, including the Property Holdings rented from third parties; this function is assumed for the Property Holdings in the possession of BAG and BRE, and does not extend to the management of real estate in the possession of other Group companies, in particular Bayer CropScience AG and Bayer Schering Pharma-Gruppe.
- Leasing and rental of real estate owned by BAG, including the limited corporate housing owned by BAG remaining following the sale of Bayer Wohnungen GmbH.
- Advising on, assessing, and implementing external rentals in the interests of the Group.
- Central point of contact for administrative and legal issues concerning real estate, including a global consulting function for real estate issues entrusted to BRE by Group companies.
- Construction management function for new builds.
- For the locations in the lower Rhine region:
 - Rental and leasing of properties from the Bayer real estate portfolio, offices, warehouses, factories.
 - Management of Bayer real estate and supervision of maintenance work and appropriate renovation work.
- Management of old property development projects. No future property development activities are planned.
- Administration and management of BRE's own property holdings.

In addition, BRE is responsible for devising Bayer's international real estate strategy and advising the Bayer companies on real estate issues.

BAG's land and buildings portfolio largely consists of industrial land, as well as agricultural land and forests, and residential and commercial buildings. The real estate owned by BAG centers on the Chemical Parks in Leverkusen/Cologne, Dormagen and Krefeld-Uerdingen, the Healthcare sites in Wuppertal, and the Brunsbüttel Industrial Park, as well as their respective surroundings, and the Monheim Agricultural Center.

The management of the real estate portfolio in the lower Rhine region goes beyond straightforward rental and leasing: BRE is also responsible for the comprehensive management of these properties, and supervises all maintenance work, as well as renovation and new construction work.

(iii) Development of Real Estate Holdings and Real Estate Management by BRE following Completion of the Spin-off

The Spin-off of the Property Holdings of BAG to BRE will remove the current separation of the real estate management tasks and functions undertaken by BRE and the legal assignment of BAG's Property Holdings. This will reduce the complexity of the property management structures.

After the completion of the Spin-off and the resulting transfer to BRE of the assets and liabilities that fall within the scope of BAG's Property Holdings, BRE will continue to perform its duties under the Articles of Incorporation unchanged. In addition, the Property Holdings it manages will in future also be legally assigned to it, which will bring about the simplification described.

The Spin-off of the Property Holdings of BAG to BRE will then allow BRE's Property Holdings to be reorganized as subsidiary partnerships of BRE in a subsequent stage by subgroup and location criteria, bundled under the umbrella of BRE. However, there are currently no concrete plans to do so.

(c) Business Performance in 2010, Key Figures

BRE reported the following key figures for fiscal years 2007 to 2010 in accordance with German GAAP (HGB):

d) Capital and Stockholders

(i) Capital Stock

BRE's capital stock currently amounts to €1,534,000.00, composed of one share of €1,534,000.00.

Bayer Real Estate GmbH (in € m)	2010	2009	2008 ¹⁾	2007 ²⁾
Net sales	179.0	227.7	78.4	18.2
Income before income taxes	3.1	2.7	-3.2	-0.3
Net income	0.0	0.0	0.0	0.0
Total assets	109.7	108.7	118.0	54.8
Equity	49.6	49.6	48.6	48.6
Average annual number of employees (full-time equivalents, excluding vocational and other trainees)	133 (133) ³⁾	132 (131) ³⁾	73 (134) ³⁾	28 (28) ³⁾

Note:

1) Integration of Currenta's real estate business into BRE from August 2008.

2) "GeWoGe" transaction in 2007

3) Employees at December 31 of the year in employee years

(ii) Stockholders

BAG is the sole stockholder of BRE.

(e) Management and Supervisory Board

Managing Director

In accordance with Article 7(1) of its Articles of Incorporation, BRE has one or more Managing Directors, who are appointed or dismissed by the Stockholders' Meeting.

When the Spin-Off Agreement was entered into, the sole Managing Director was Mr. Michael Müller, who was also the sole Managing Director on the date this Spin-off Report was signed.

Supervisory Board

Under Article 8 of the Articles of Incorporation, BRE can have a Supervisory Board that is appointed and dismissed by the Stockholders' Meeting and consists of at least three members. BRE does not currently have a Supervisory Board.

(f) Employees and Employee Representatives

As of the reporting date, BRE has approximately 130 employees. The employees are represented by a Works Council with seven members who are not released from their work obligations. There is also a representative body for disabled employees.

(g) (g) Other Legal Relationships of BRE and their Contractual Relationships with BAG and BAG Group Companies

(i) BRE's Articles of Association

BRE's Articles of Incorporation contain the terms and conditions customary for the Articles of Incorporation of a Group company constituted as a limited liability company (GmbH):

- Article 1 of BRE's Articles of Incorporation stipulates the company's name ("Bayer Real Estate GmbH").
- Article 2 of BRE's Articles of Incorporation establishes the registered domicile of the company ("Leverkusen").
- Article 3 of BRE's Articles of Incorporation describes BRE's corporate purpose.
- Article 4 of BRE's Articles of Incorporation contains provisions regarding the capital stock and defines it as €1,534,000.00.
- Article 5 of BRE's Articles of Incorporation defines the calendar year as the fiscal year.
- Article 6 of BRE's Articles of Incorporation defines the governing bodies of the company as a) the Management, b) the Supervisory Board, where this is appointed, and c) the Stockholders' Meeting.
- Article 7 of BRE's Articles of Incorporation contains provisions governing management and representation. In accordance with Article 7(1) of its Articles of Incorporation, BRE has one or more Managing Directors, who are appointed or dismissed by the Stockholders' Meeting. In accordance with Article 7(2) of BRE's Articles of Incorporation, if more than one Managing Director is appointed, the company is legally represented by two Managing Directors or by one Managing Director together with one Prokurist (authorized signatory with full power of representation). If only one Managing Director is appointed, he or she shall represent the company alone.

- Article 8 of BRE's Articles of Incorporation provides for the possibility of forming a Supervisory Board. It further provides that the Stockholders' Meeting shall determine the function, rules of procedure, and term of office of the members of the Supervisory Board.
- Article 9 of BRE's Articles of Incorporation contains provisions governing the Stockholders' Meeting, in particular with regard to how it is convened and conducted, as well as the adoption of resolutions by the Stockholders' Meeting.
- Article 10 of BRE's Articles of Incorporation contains provisions governing the annual financial statements.
- Article 11 of BRE's Articles of Incorporation concerns the appropriation of distributable profit and specifies that the distributable profit shall be distributed to the stockholders in proportion to the shares held, unless the Stockholders' Meeting resolves that these profits be otherwise appropriated.
- Lastly, Article 12 of BRE's Articles of Incorporation specifies that the company's official notifications shall be published in the Bundesanzeiger (Federal Gazette).

In order to enable the grant of a share to BAG required by the Umwandlungsgesetz (German Reorganization Act) in the context of the planned Spin-off by way of acquisition under section 123(3) no. 1 of the UmwG, the Stockholders' Meeting of BRE shall adopt a resolution to increase the capital stock and amend Article 4 of the Articles of Incorporation accordingly. No further amendments to the Articles of Incorporation are planned in relation to the Spin-off.

(ii) Profit Transfer Agreement between BRE and BAG

A profit transfer agreement dated March 11, 2004 has been entered into by BRE as the controlled company and BAG as the controlling company. The agreement was entered in BRE's commercial register on June 8, 2004. It contains the following provisions in particular:

- Section 1 of the profit transfer agreement governs the transfer of profits. In particular, section 1(1) of the profit transfer agreement stipulates that BRE is required to transfer its entire profit to BAG, whereby – without prejudice to the establishment or release of reserves under section 1(2) of the profit transfer agreement – the net income for the year generated prior to transfer of profit shall be transferred less any losses carried forward from the previous year. Section 1(3) of the profit transfer agreement stipulates that the obligation to transfer profits shall first apply for the entire profit for the fiscal year beginning January 1, 2004.
- Section 2 of the profit transfer agreement governs the assumption of losses. It stipulates that BAG is required to absorb losses in accordance with section 302 of the Aktiengesetz (German Stock Corporation Act – "**AktG**"), and that section 1(3) of the profit transfer agreement shall apply accordingly.
- Section 3 of the profit transfer agreement governs the entry into force and duration of the profit transfer agreement. In accordance with section 3(3), the profit transfer agreement could be duly cancelled as of the end of a fiscal year, although not before the end of December 31, 2009, subject to a notice period of six months. Since it was not cancelled, the agreement was extended by one fiscal year each year subject to the same notice period. Section 3(4) of the profit transfer agreement stipulates that the right to cancel the agreement for cause without the requirement to observe a notice period remains unaffected, and that BAG shall be entitled to cancel the agreement for cause if it is no longer the majority stockholder of BRE, or another stockholder acquires an interest in BRE.

(iii) No Control Agreement between BRE and BAG

There is no control agreement between BRE and BAG. Consequently, BAG is not authorized to exercise powers of control over BRE by exercising a right to issue instructions under sections 308 et seq. of the AktG. However, BRE's Managing Directors are bound by resolutions of the Stockholders' Meeting. Given its position as the sole stockholder, BAG is therefore entitled to issue instructions to the Managing Directors of BRE in the form of corresponding stockholder resolutions, including with regard to specific everyday management matters. These instructions may be positive (instructions to act) or negative (prohibitions).

2. THE SPIN-OFF ASSETS AND LIABILITIES

The Spin-off Assets and Liabilities defined in the Spin-off Agreement constitute the subject matter of the Spin-off. These relate to the scope of BAG's Property Holdings, which shall be transferred to BRE under the terms of the Spin-off Agreement.

The legal structure of the portfolio of land and buildings within the scope of BAG's Property Holdings consists of (i) land and buildings owned by BAG, (ii) land rights (heritable building rights) to land owned by third parties, and (iii) rented or leased land, buildings, and facilities owned by third parties. In accordance with this legal structure, the scope of BAG's Property Holdings also includes the legal interests in land and buildings owned by third parties registered in the land register, including heritable building rights in favor of BAG, the heritable building right contracts concerning such land and buildings, as well as the rental and lease agreements, and other contracts on grant of use or transfer for use relating to land and buildings owned by third parties. In addition, the scope of BAG's Property Holdings also includes the rental and lease agreements, and other contracts on grant of use and transfer for use entered into by BAG as the landlord, lessor, or grantor of other rights of use. Lastly, certain rights and legal interests arising from payments on account and construction in progress, various legal relationships under public law, and interests under procedural law fall within the scope of BAG's Property Holdings. However, no employees are assigned to the scope of BAG's Property Holdings.

BAG's own land and buildings portfolio largely consists of industrial land, as well as agricultural land and forests, and residential and commercial buildings. The real estate owned by BAG centers on the Chemical Parks in Leverkusen/Cologne (395 ha total area including that owned by third parties), Dormagen (536 ha total area including that owned by third parties), and Krefeld-Uerdingen (242 ha total area including that owned by third parties), the Healthcare sites in Wuppertal (101 ha total area), and the Brunsbüttel Industrial Park (328 ha total area including that owned by third parties), as well as their respective surroundings, and the Monheim Agricultural Center (69 ha).

The portfolio of land and buildings is overwhelmingly used by tenants and lessees that belong to the Bayer Group.

3. REASON FOR AND OBJECTIVE OF THE SPIN-OFF

BAG has an extensive real estate portfolio in Germany. The Property Holdings are legally assigned to BAG. However, the management of the Property Holdings is carried out by BRE on the basis of contracts with BAG.

The aim of the Spin-off is to harmonize the property management function performed by BRE with the legal assignment of BAG's Property Holdings. This will reduce complexity, as the Spin-off will remove the current separation of the property management tasks and functions undertaken by BRE and the legal assignment of BAG's Property Holdings.

4. ALTERNATIVES TO THE SPIN-OFF

4.1 Bayer Aktiengesellschaft Retains Possession of the Spin-off Assets and Liabilities

If BAG were to retain possession of the Spin-off Assets and Liabilities, the discrepancy between the legal assignment of BAG's Property Holdings on the one hand, and the functional assignment of the property management on the other, would continue to exist. The objective of structural simplification described above would not be achieved.

4.2 Spin-off by Way of Singular Succession

As an alternative to the Spin-off in accordance with the Reorganization Act, a Spin-off not governed by the Reorganization Act could also be carried out, namely the contribution of the Spin-off Assets and Liabilities to BRE as a noncash contribution, with the transfer of the associated assets and liabilities by way of singular succession. However, singular succession would require a large number of transfer deeds (assignments, transfers of ownership, contract transfers, etc.), which would incur significant additional expense. In particular, in contrast to the planned Spin-off under section 123(3) of the UmwG, the contracts and other legal relationships with third parties associated with the Spin-off Assets and Liabilities would not be transferred to BRE in parallel with the entry of the spin-off in the commercial register. BAG and BRE would be required to make arrangements with a large number of parties regarding the transfer of the relevant contractual and legal relationships to BRE. In addition to the significant extra organizational effort, such a process would also give rise to legal uncertainty, as it would be unclear whether all the required approvals had been granted.

In the event of a Spin-off in accordance with the Reorganization Act, BAG would continue to be jointly and severally liable with BRE for a period of five years for the liabilities transferred to BRE by way of the Spin-off that were established before the Spin-off was effected (section 133 of the UmwG). Owing to the existing profit transfer agreement between BAG and BRE, however, this run-off liability in the case of a Spin-off under the Reorganization Act is of little economic significance, since, under the profit transfer agreement, BAG is required to compensate BRE for any losses in accordance with section 302 of the AktG.

Consequently, in the event of a Spin-off under the UmwG, BAG would not be in a worse position in respect of any liabilities to third parties than it would be in the case of singular succession.

4.3 Merger of Bayer Real Estate GmbH with Bayer Aktiengesellschaft

The merger of BRE with and into BAG would be an appropriate means of achieving the objective of harmonizing the property management function with the legal assignment of BAG's Property Holdings. However, the assumption of the property management functions by BAG would conflict with its role as the Bayer Group's non-operating management holding company.

4.4 Conclusion

In light of the above considerations, the Board of Management and Supervisory Board of BAG, and the Management of BRE, have concluded that the planned Spin-off by way of acquisition in accordance with section 123(1) no. 1 of the UmwG is the preferable solution from a legal, practical, and financial perspective.

5. COSTS OF THE SPIN-OFF

The estimated cost of the measures required to prepare and execute the Spin-off is approximately €900 thousand. This mainly consists of the pro rata costs of the Annual Stockholders' Meeting 2011, the costs of tax and legal advice, as well as notary, court, land register, and publishing costs.

III. IMPLEMENTATION OF THE SPIN-OFF

The implementation of the Spin-off is described below, with an initial description of the principles of a Spin-off by way of acquisition (see section III (1)), followed by the Spin-off process (see section III (2)) and, lastly, the main steps involved in the Spin-off (see section III (3)).

1. SPIN-OFF BY WAY OF ACQUISITION

A Spin-off in accordance with the Reorganization Act allows one or more components of the assets and liabilities to be transferred “collectively” by way of partial universal succession from the transferring legal entity (in this case BAG) to one or more receiving legal entities (in this case BRE), against the grant of shares of the receiving entity (BRE) to the transferring entity (BAG) (as a spin-off by way of acquisition under section 123 (3) no. 1 of the UmwG). Partial universal transfer means that BRE becomes the partial universal successor of BAG, i.e., in respect of the Spin-off Assets and Liabilities, when the Spin-off becomes effective upon entry in BAG’s commercial register. Consequently, the transfer of each individual asset, liability, or other legal interest by separate transfer agreement is not required.

2. SPIN-OFF PROCESS

The Spin-off will be based on the Spin-off Agreement to be entered into by the parties.

An audit by an expert auditor in accordance with sections 9 to 12 of the UmwG will not be carried out, as this is not required in accordance with section 125 sentence 2 of the UmwG.

The Spin-off of the Spin-off Assets and Liabilities of BAG to BRE by means of a Spin-off by way of acquisition under section 123(3) no. 1 of the UmwG shall be effected against the grant of a new share in the amount of €1,000. For this purpose, BRE’s Stockholders’ Meeting shall adopt a resolution to increase the capital stock by €1,000, from €1,534,000 to €1,535,000, by issuing a new share with a nominal value of €1,000.

The share will be acquired by BAG. BAG will remain the sole shareholder of BRE after the Spin-off has taken effect. The capital increase will be implemented against a non-cash contribution. The contribution made by BAG shall consist of the Spin-off Assets and Liabilities.

3. SIGNIFICANT STAGES OF THE SPIN-OFF

3.1 The Spin-off Agreement and Preparatory Governing Body Resolutions

The Spin-off Agreement in the form in which it is to be presented for approval to the Annual Stockholders’ Meeting 2011 was notarized on February 17, 2011 and filed with the commercial register of the Cologne Local Court, registration office, before the notice convening the Annual Stockholders’ Meeting was published, in accordance with section 125 sentence 1 together with section 61(1) of the UmwG.

3.2 Annual Stockholders’ Meeting of Bayer Aktiengesellschaft and Stockholders’ Meeting of Bayer Real Estate GmbH

In accordance with section 125 sentence 1 in conjunction with sections 13(1), 50(1), and 65(1) of the UmwG, the Spin-off Agreement shall only become effective if it is approved by both the Annual Stockholders’ Meeting of BAG and the Stockholders’ Meeting of BRE by a majority of at least three-quarters of the capital stock represented at the Meeting (BAG), or of the votes cast (BRE).

It is intended that the Stockholders' Meeting of BRE will approve the Spin-off Agreement before BAG's 2011 Annual Stockholders' Meeting. In addition, it is intended that the Spin-off Agreement will be presented to BAG's Annual Stockholders' Meeting 2011 for approval in accordance with section 125 sentence 1 of the UmwG in conjunction with section 13 of the UmwG.

3.3 Capital Increase at Bayer Real Estate GmbH

It is intended that the resolution required for the capital increase will be combined with the approval of the Spin-off Agreement at BRE's Stockholders' Meeting. In accordance with sections 125 sentence 1, and 53 of the UmwG, the Spin-off may only be registered once the capital increase has been entered in BRE's commercial register.

3.4 Application for and Registration of the Spin-off

The Spin-off will become effective only when entered in the commercial register at the domicile of the transferring legal entity (BAG), whereby entry in the commercial register at the domicile of the transferring legal entity (BAG) may take place only after the entry has been made in the commercial register of the receiving legal entity (BRE).

In accordance with section 125 sentence 1 in conjunction with section 17(2) of the UmwG, the application for entry in the commercial register of BAG must be accompanied by a statement of financial position of BAG as a Closing Statement of Financial Position. The choice of January 1, 2011 as the Effective Spin-off Date means that the Closing Statement of Financial Position as defined by section 17(2) of the UmwG is the annual statement of financial position of BAG as of December 31, 2010.

IV. LEGAL, TAX, AND ECONOMIC IMPLICATIONS OF THE SPIN-OFF

The legal implications of the Spin-off (see section IV(1)), the tax implications of the Spin-off (see section IV (2)), and the economic implications of the Spin-off (see section IV (3)) are described in the following.

1. LEGAL IMPLICATIONS OF THE SPIN-OFF

1.1 Implications of the Spin-off under Company Law

The implications of the Spin-off under company law arise from the Reorganization Act. Under the Reorganization Act, the main implications in terms of company law of the entry of the Spin-off in BAG's commercial register will be:

The Spin-off Assets and Liabilities of BAG, as the transferring legal entity, will be transferred in their entirety to BRE, as the receiving legal entity (partial universal succession, see section 131(1) no. 1 of the UmwG).

As the transferring legal entity, BAG will become the holder of a new share of BRE, as the receiving legal entity, in accordance with the provisions of the Spin-off Agreement (section 131(1) no. 3 sentence 3 of the UmwG).

As the legal entities involved in the Spin-off, BAG and BRE will be jointly and severally liable for the liabilities of the transferring legal entity (BAG) that were established before the Spin-off became effective, in accordance with the provisions of section 133(1) of the UmwG.

1.2 No Labor or Works Council Law Implications of the Spin-Off

No employees are allocated to BRE's Property Holdings owing to the lack of a business unit as defined by section 613 a of the BGB. Accordingly, no employment contracts from BAG to BRE will be transferred in the course of the Spin-off. The Spin-off therefore has no implications under labor or works constitution law.

1.3 No Implications of the Spin-off under Codetermination Law

Since the Spin-off will not affect any employment relationships at either BAG or BRE, the Spin-off has no implications under codetermination law.

2. TAX IMPLICATIONS OF THE SPIN-OFF

2.1 Tax Implications for Bayer Aktiengesellschaft and Bayer Real Estate GmbH

(a) Income Taxes

The Spin-off represents a contribution for tax purposes as defined by section 20 of the Umwandlungsteuergesetz (Reorganization Tax Act, "UmwStG"). The receiving legal entity, BRE, will apply the predecessor basis option in the tax account to avoid the Spin-off giving rise to fair value adjustments (hidden reserves) at BAG. The responsible tax office has confirmed in advance that the requirements for a tax-neutral contribution are satisfied.

By opting to carry over the predecessor basis, BRE will fully assume the income tax law status of BAG in respect of the assets and liabilities to be transferred.

(b) Value Added Tax

A consolidated VAT group exists between BAG and BRE, so no VAT will arise from the Spin-off (non-taxable national revenue).

(c) Real Estate Transfer Tax

Under section 6a of the GrEStG, no real estate transfer tax will be payable as a result of the Spin-off, provided that BAG retains a direct or indirect equity interest in BRE of at least 95% for more than five years after the Effective Spin-off Date (subsequent retention period). Since purchasing shares in 2001, BAG has held 100% of the shares of BRE, so the requirement of a five-year prior retention period is also satisfied.

2.2 Tax Implications for the Stockholders of Bayer Aktiengesellschaft

The Spin-off of the Spin-off Assets and Liabilities to BRE will have no tax implications for the stockholders of BAG.

3. ECONOMIC IMPLICATIONS OF THE SPIN-OFF

3.1 General Considerations

The planned Effective Spin-off Date is January 1, 2011.

Unless the Effective Spin-off Date is deferred owing to the delayed registration of the Spin-off, the economic implications of the Spin-off for the relationship between BAG and BRE will take effect as of January 1, 2011, as soon as the Spin-off has been entered in BAG's commercial register. As of the Effective Date, all of BAG's acts and transactions relating to the Spin-off Assets and Liabilities shall be deemed to be for the account of BRE. BAG and BRE shall place each other in the position that they would be in if the Spin-off Assets and Liabilities had already been transferred to BRE at the Effective Spin-off Date. When the Spin-off becomes effective, the Spin-off Assets and Liabilities will be transferred from BAG to BRE. As the sole stockholder of BRE, however, BAG will still hold an indirect interest in these assets and liabilities.

3.2 Effect on the Financial Position and Earnings Position of Bayer Aktiengesellschaft and Bayer Real Estate GmbH

(a) BAG

As a result of the Spin-off, the assets and liabilities directly allocated to BAG will be reduced by the amount of the Spin-off Assets and Liabilities. In return, BAG will receive an additional share of BRE. The financial circumstances of the Bayer Group will remain unchanged. The Spin-off will have no impact on the earnings position of BAG.

The Spin-off Assets and Liabilities are presented in the Spin-off Statement of Financial Position of January 1, 2011, appended as Schedule 3.1 (e). The corresponding items will be removed from BAG's statement of financial position as of January 1, 2011. Accordingly, assets with a total carrying amount of €320,784,134.50 and liabilities with a carrying amount of €1,684,920.94 will be removed from the assets and liabilities of BAG. In return, the book value of the equity interest in BRE will be increased by at least the difference in carrying amount of €319,099,213.56, or a higher amount, depending on the recognition options exercised in the financial statements.

(b) Bayer Real Estate GmbH

The Spin-off will lead to the addition of the Spin-off Assets and Liabilities to the assets and liabilities in BRE's statement of financial position. BRE will take over and adjust the assets and liabilities transferred to it in its statement of financial position at a minimum at the carrying amounts recognized by BAG, as they appear in the Spin-off Statement of Financial Position. Depending on the recognition options exercised in the financial statements, the amounts recognized may be higher. BRE's capital stock will be increased by €1,000 when the capital increase takes effect. If the aggregate assets transferred to BRE less the aggregate liabilities transferred to BRE exceed the amount of the capital increase recognized in the financial statements, the excess shall be allocated to BRE's reserves, which will increase accordingly.

The Spin-off will have no impact on the earnings position of BRE.

3.3 Future Service and Supply Transactions between Bayer Aktiengesellschaft and Bayer Real Estate GmbH

BAG will in future purchase leasing and other services from BRE to a similar extent as before. BRE will continue to purchase accounting, tax, and general administration services from BAG. The Agreement on the Use of Land between BAG (lessor) and BRE (lessee) regarding the Group Headquarters in Leverkusen will continue to apply.

V. EXPLANATION OF THE SPIN-OFF AGREEMENT

The content of the Spin-off Agreement is as required by section 126(1) of the UmwG; the terms and conditions of the Agreement are explained in detail below.

1. SECTION 1 (PARTIES TO THE AGREEMENT AND SCOPE OF THE AGREEMENT)

As required by section 126(1) no. 1 of the UmwG, sections 1.1 and 1.2 of the Spin-off Agreement specify the legal entities involved in the Spin-off, stating their company name, domicile, commercial register number, and capital stock.

Sentences 1 to 4 of section 1.3 describe the scope, economic background, and purpose of the Spin-off. The overview of the composition of BAG's portfolio of land and buildings (hereinafter the **"Property Holdings"**) is of particular relevance to the Agreement and the understanding of this Agreement. According to the second sentence of section 1.3 of the Spin-off Agreement, the Property Holdings mainly consist of (i) land and buildings owned by BAG, largely industrial land and facilities, as well as agricultural land and forests; (ii) land rights (heritable building rights) to land owned by third parties; and (iii) rented or leased land, buildings, and facilities owned by third parties.

The fifth sentence of section 1.3 of the Spin-off Agreement states that the assets and liabilities that fall within the scope of BAG's Property Holdings shall be transferred to BRE by way of a Spin-off in accordance with the Umwandlungsgesetz (German Reorganization Act, UmwG), i.e. by way of partial universal succession, and that this shall take place as stipulated in greater detail in the Spin-off Agreement, that is to say taking into account the restrictions, special features, and additional provisions of the Spin-off Agreement.

2. SECTION 2 (GENERAL TERMS AND PROVISIONS)

2.1 Section 2.1 (Spin-off by Way of Acquisition)

Section 2.1 of the Spin-off Agreement contains the core of the Agreement, that is to say the provision that, under the Spin-off, BAG as the transferring legal entity shall transfer the portion of its assets and liabilities defined as Spin-off Assets and Liabilities under section 3 of this Agreement as a Spin-off by way of acquisition, as defined in section 123(3) no. 1 of the UmwG, as a whole to BRE as the receiving legal entity, against the grant of a new share of BRE (see section 126(1) no. 2 of the UmwG).

2.2 Section 2.2 (Closing Statement of Financial Position)

Section 2.2 of the Spin-off Agreement states that the Spin-off shall be based on BAG's audited statement of financial position as of December 31, 2010 as the Closing Statement of Financial Position (hereinafter the **"Closing Statement of Financial Position"**). However, alternative arrangements may be defined in section 8.1 of the Spin-off Agreement.

2.3 Section 2.3 (Effective Spin-off Date, Effective Transfer Date for Tax Purposes)

As required by section 126(1) no. 6 of the UmwG, section 2.3 of the Spin-off Agreement contains a provision concerning the date on which the Spin-off takes effect internally. According to this provision, the effective transfer of the Spin-off Assets and Liabilities from BAG to BRE shall take place at the beginning (0.00) of January 1, 2011 (hereinafter the **"Effective Spin-off Date"**). All of BAG's acts and transactions relating to the Spin-off Assets and Liabilities defined under section 3 and taking place on or after the Effective Spin-off Date shall therefore be deemed to be for the account of BRE. Consequently, BAG and BRE have agreed to place each other in the position that they would be in if the Spin-off Assets and Liabilities had already been transferred to BRE at the Effective Spin-off Date.

In accordance with the second sentence of section 20(6) of the Umwandlungssteuergesetz (German Reorganization Tax Act, UmwStG), the effective transfer date for tax purposes shall be 24.00 on December 31, 2010.

Section 8.1 of the Spin-off Agreement may result in a change to the Effective Spin-off Date and the effective transfer date for tax purposes.

Since no carrying over of book values is agreed in the Spin-off Agreement, BRE is free to decide whether it carries over the Spin-off Assets and Liabilities based on the book values in the commercial statement of financial position and/or fiscal book values.

3. SECTION 3 (SPIN-OFF ASSETS AND LIABILITIES)

Section 3 of the Spin-off Agreement provides details of the Spin-off Assets and Liabilities. According to section 126(1) no. 9 of the UmwG, this means giving precise details of the assets and liabilities that are being transferred to the receiving legal entity.

3.1 Section 3.1 (Subject Matter of the Spin-off)

Section 3.1 of the Spin-off Agreement takes the form of a major premise and contains a general definition of the Spin-off Assets and Liabilities. The subsequent sections expand on this definition and provide concrete details. The first sentence of section 3.1 of the Spin-off Agreement states that BAG shall transfer to BRE, in their entirety, all tangible and intangible assets and liabilities, including contractual relationships and other legal relationships and legal interests of any kind, receivables and liabilities, and future and contingent receivables and liabilities the legal basis for which already exists, irrespective of whether these are required to be recognized or eligible for recognition or whether they are actually recognized or not (hereinafter and hereinafter **"assets"** or, where reference is made to an individual item, the **"asset"**), that fall within the scope of the Property Holdings of BAG, unless they are expressly exempted from the transfer in the subsequent provisions of the Spin-off Agreement (letter (a) of the first sentence of section 3.1 of the Spin-off Agreement), including all assets expressly included in the Spin-off Assets and Liabilities in the subsequent provisions of the Spin-off Agreement (letter (b) of the first sentence of section 3.1 of the Spin-off Agreement). The assets and liabilities described under letters (a) and (b) of the first sentence of section 3.1 of the Spin-off Agreement are designated as **"Spin-off Assets and Liabilities"** in the Spin-off Agreement.

According to the second sentence of section 3.1 of the Spin-off Agreement, unless they are expressly exempted from the transfer in subsequent provisions of the Spin-off Agreement, the Spin-off Assets and Liabilities shall include in particular all rights and claims of BAG in rem and under the law of obligations to the land, buildings, and building areas in Germany covered by the "Agreement on the Use of Land and Buildings" of March 1, 2002, as amended by addendum 14 dated February 10, 2011, between BAG and BRE (hereinafter the **"Agreement on the Use of Land and Buildings of March 1, 2002"**) (letter (c) of the second sentence of section 3.1 of the Spin-off Agreement), all assets allocated to Property profit center (CSUI 491000) in BAG's accounting system at 0.00 on January 1, 2011 (letter (d) of the second sentence of section 3.1 of the Spin-off Agreement), and all assets and liabilities recognized in the Spin-off Statement of Financial Position based on BAG's Closing Statement of Financial Position as of December 31, 2010, as appended to the Spin-off Agreement as Schedule 3.1 (e) (letter (e) of the second sentence of section 3.1 of the Spin-off Agreement).

Based on the system detailed in section 3.1 of the Spin-off Agreement, the exemptions from and express inclusions in the Spin-off Assets and Liabilities that are made under section 3.2 and section 3.3 ff. of the Spin-off Agreement shall take precedence.

3.2 Section 3.2 (Assets and Liabilities Exempt from Transfer)

Section 3.2 of the Spin-off Agreement lists those assets and liabilities that are not included in the Spin-off Assets and Liabilities and, consequently, are not transferred from BAG to BRE. At the end of section 3.2 of the Spin-off Agreement, it is clarified that the assets and liabilities exempted in this section and the associated assets and liabilities shall not be deemed to fall within the scope of BAG's Property Holdings.

To be specific, these are BAG's equity interest in BRE, the existing profit transfer agreement between BAG and BRE, including all the rights and obligations arising under that agreement, the "Site Agreement for the Chemical Park", without prejudice to section 3.10 of the

Spin-off Agreement and including all rights and obligations arising under that agreement, and mortgages and land charges granted to BAG in connection with employer-to-employee loans, development loans, or other agreements whose main subject matter is the grant of a loan or other financing by BAG (section 3.2(a) to (d) of the Spin-off Agreement).

Also exempted from the transfer are partial areas still to be measured, on which the current and previous Group Headquarters are or were located, and the "Agreement on the Use of Land and Buildings (Partial Area – Group Headquarters)" dated February 10, 2011 between BAG and BRE concerning these partial areas (section 3.2(e) and (f) of the Spin-off Agreement).

Section 3.2(g) of the Spin-off Agreement exempts from the transfer all liabilities, irrespective of whether or not they are recognized, that arose prior to the Effective Spin-off Date, with the exception of those recognized as a liability in the Spin-off Statement of Financial Position appended to the Spin-off Agreement as Schedule 3.1 (e) and therefore to be transferred to BRE.

Section 3.2(h) of the Spin-off Agreement makes a special provision for obligations resulting from contamination of land holdings being transferred. Any liabilities resulting from contamination of land, buildings, and other structures that occurred prior to the transfer shall remain with BAG. Conversely, any existing claims in this respect against parties who may have caused this contamination or other third parties shall not be transferred to BRE. As a result, the exemptions from the transfer in the Spin-off Agreement shall also include all liabilities, uncertain liabilities, contingent liabilities, and future and conditional liabilities arising from official claims or claims under private law relating to any harmful changes to the soil, water or ground water pollution, or hazardous substances in the building structures (hereinafter collectively referred to as "**contamination**"), provided this contamination concerns the Spin-off Assets and Liabilities and occurred before the Execution Date; this shall specifically also include liabilities and charges arising from liability of the author in accordance with the first sentence of section 4(3) of the Bundesbodenschutzgesetz (Federal Soil Conservation Act, BBodSchG), and all rights and legal interests, in particular claims against third parties by BAG that arise in connection with contamination that are expressly included in the Spin-off Assets and Liabilities, provided that these do not originate from agreements with third parties (section 3.2(h) and (i) of the Spin-off Agreement).

The final exemptions from the transfer are the "Location Agreement" between BAG and the Federal State of Schleswig-Holstein dated June 9, 1970 and the associated "Site Purchase Agreement", including all the rights and obligations arising under those agreements (section 3.2(j) of the Spin-off Agreement), and the structures used for promotional purposes erected on land and buildings owned by third parties, in particular the Bayer Crosses, as well as rental agreements, lease agreements, and other agreements on grant of use or transfer of use relating to the land and buildings in question, and the contractual and in rem rights and legal interests of BAG to erect, operate, and maintain these structures (section 3.2(k) of the Spin-off Agreement).

3.3 Section 3.3 (Property Holdings)

While section 3.2 of the Spin-off Agreement expressly exempted certain items from the Spin-off Assets and Liabilities, sections 3.3 to 3.16 of the Spin-off Agreement expressly include certain items in the Spin-off Assets and Liabilities, with the result that these items are transferred to BRE. Section 3.3 of the Spin-off Agreement relates to Property Holdings that are transferred from BAG to BRE and thus included in the Spin-off Assets and Liabilities.

According to the first sentence of section 3.3 of the Spin-off Agreement, the Spin-off Assets and Liabilities shall include all land in Germany owned by BAG, in particular the land listed in Schedule 3.3 to the Spin-off Agreement, with one exception. The land listed in Schedule 3.3 to the Spin-off Agreement is designated as required by the second sentence of section 126(2) of the UmwG in conjunction with section 28 of the Grundbuchordnung (Land Register Act, "GBO") for transfer to be effective. The one exception relates to the partial areas still to be measured where the current and previous Group Headquarters are located. These partial areas shall remain with BAG for tax reasons.

The final sentence of section 3.3 of the Spin-off Agreement is for clarification purposes only.

3.4 Section 3.4 (Heritable Building Rights, Buildings Held by BAG)

Section 3.4 of the Spin-off Agreement contains provisions regarding heritable building rights and buildings held by BAG that are being transferred. According to the first sentence of section 3.4 of the Spin-off Agreement, the Spin-off Assets and Liabilities shall include all heritable building rights to land in Germany held by BAG, in particular the heritable building rights listed in Schedule 3.4 to the Spin-off Agreement, as well as the associated heritable building right contracts, including all the rights and obligations arising under those contracts (within the context of section 3.2(g) of the Spin-off Agreement). The heritable building rights listed in Schedule 3.4 to the Spin-off Agreement are designated as required by the second sentence of section 126(2) of the UmwG in conjunction with section 28 of the GBO and the Erbbaurechtsverordnung (Ordinance on Heritable Building Rights, ErbbauVO) for transfer to be effective.

The final sentence of section 3.4 of the Spin-off Agreement is for clarification purposes only.

3.5 Section 3.5 (Relationships under Heritable Building Rights Concerning the Property Holdings Covered by Section 3.3)

Section 3.5 of the Spin-off Agreement concerns the relationships under heritable building rights concerning the Property Holdings covered by section 3.3 of the Spin-off Agreement, i.e. cases where a third party holds the heritable building rights. Since land subject to a heritable building right is also transferred to BRE as a result of the Spin-off, it is logical also to transfer the associated contracts to BRE. The Spin-off Assets and Liabilities shall therefore include all heritable building right contracts relating to the land in Germany owned by BAG and covered by section 3.3 of the Spin-off Agreement, in particular the heritable building right contracts relating to the heritable building rights listed in Schedule 3.5 to the Spin-off Agreement, including all rights and obligations arising under each of those contracts (within the context of section 3.2(g) of the Spin-off Agreement).

3.6 Section 3.6 (Other Land Register Entries Concerning Property Holdings Covered by Section 3.3)

Section 3.6 of the Spin-off Agreement contains provisions concerning other charges entered in the land register concerning Property Holdings covered by section 3.3. The first sentence of section 3.6 of the Spin-off Agreement clarifies that the Property Holdings covered by section 3.3 of the Spin-off Agreement and the heritable building rights covered by section 3.4 shall be transferred together with any charges entered in the land register or register of heritable building rights, as well as any rights enjoyed by the owner or holder of the land or heritable building right in question, including any easements or rights of preemption. The second sentence of section 3.6 of the Spin-off Agreement then stipulates that the Spin-off Assets and Liabilities shall also include all contracts between BAG as the owner or holder of a heritable building right and third parties the subject matter of which is the charges and rights described in the first sentence of section 3.6 of the Spin-off Agreement, including all the rights and obligations arising under those contracts (within the context of section 3.2(g) of the Spin-off Agreement).

3.7 Section 3.7 (Rental and Lease Agreements, Grant of Use and Transfer for Use to BAG)

The first sentence of section 3.7 of the Spin-off Agreement states that the Spin-off Assets and Liabilities shall include certain rental and lease agreements. With the exception of the contracts covered by section 3.2(k), these shall include all rental and lease agreements for land, buildings, or building areas in Germany and significant components of such, as well as other contracts concerning grant of use or transfer for use entered into between BAG as the tenant, lessee, or beneficiary of other rights to use the land, building, or building area and external third parties or Group companies other than BRE, including all the rights and obligations arising under those contracts (within the context of section 3.2(g) of the Spin-off Agreement). This shall include in particular the contracts maintained in BRE's contract database "Liegenschaftsinformationssystem" (Property Information System), under the document numbers listed in Schedule 3.7 to the Spin-off Agreement (second sentence of section 3.7 of the Spin-off Agreement).

3.8 Section 3.8 (Rental and Lease Agreements, Grant of Use and Transfer for Use by BAG)

The first sentence of section 3.8 of the Spin-off Agreement contains the provision that the Spin-off Assets and Liabilities shall include all rental and lease contracts for land, buildings, or building areas in Germany, as well as other contracts concerning grant of use or transfer for use entered into between BAG as the landlord, lessor, or grantor of other rights to use the land, building, or building area and external third parties or Group companies other than BRE, including all the rights and obligations arising under those contracts (within the context of section 3.2(g) of the Spin-off Agreement). This shall include in particular contracts maintained in BRE's contract database "Liegenschaftsinformationssystem" (Property Information System), under the document numbers listed in Schedule 3.8 (i) to the Spin-off Agreement and the special contracts for the transfer of use of operating facilities within the meaning of section 68(2) of the Bewertungsgesetz (German Valuation Act) listed in Schedule 3.8 (ii) to the Spin-off Agreement (second sentence of section 3.8 of the Spin-off Agreement).

3.9 Section 3.9 (Agreement on the Use of Land and Buildings)

Section 3.9 of the Spin-off Agreement states that the Spin-off Assets and Liabilities shall also include the Agreement on the Use of Land and Buildings between BAG and BRE dated March 1, 2002. It also clarifies that this Agreement shall expire upon transfer on the Execution Date as a result of a confusion of rights.

3.10 Section 3.10 (Accession to the Site Agreement)

Section 3.10 of the Spin-off Agreement contains a provision concerning the "Site Agreement for the Chemical Park". According to the first sentence of section 3.10 of the Spin-off Agreement, although this agreement shall not be included in the Spin-off Assets and Liabilities, BRE shall accede to this agreement with economic effect as of the Effective Spin-off Date and shall fully assume the legal interests of BAG in respect of the land to be transferred. According to the second sentence of section 3.10 of the Spin-off Agreement, BRE shall further agree to oblige any legal successors accordingly with regard to the land in question. By including these provisions in the Spin-off Agreement, BAG is also complying with a requirement under the said Site Agreement that arises with relevant land transfers.

3.11 Section 3.11 (Other Legal Interests in Land Owned by Third Parties)

According to the first sentence of section 3.11 of the Spin-off Agreement, the Spin-off Assets and Liabilities shall include all existing rights of purchase (repurchase options), rights of way, emission rights, and tolerances relating to the land or heritable building rights of third parties enjoyed by BAG, in particular all rights of preemption and easements in favor of BAG entered in a land register or register of heritable building rights in Germany,

as well as all contracts between BAG and third parties the subject matter of which is these legal interests, including all rights and obligations arising under those contracts (within the context of section 3.2(g) of the Spin-off Agreement).

The second sentence of section 3.11 of the Spin-off Agreement states that the Spin-off Assets and Liabilities shall also include all site purchase agreements entered into by BAG as the purchaser, including all rights and obligations arising under those agreements (within the context of section 3.2(g) of the Spin-off Agreement), in particular all rights to title and the associated liens, including priority notice in the land register, if applicable.

According to the third sentence of section 3.11 of the Spin-off Agreement, the Spin-off Assets and Liabilities shall, in addition, include all existing duties of purchase applicable to BAG in relation to the land or heritable building rights of third parties, as well as all contracts between BAG and third parties the subject matter of which is these legal interests, including all rights and obligations arising under those contracts (within the context of section 3.2(g) of the Spin-off Agreement).

3.12 Section 3.12 (Payments on Account, Construction in Progress)

According to section 3.12 of the Spin-off Agreement, the Spin-off Assets and Liabilities shall also include all rights and legal interests arising from payments on account and construction in progress that fall within the scope of BAG's Property Holdings, in particular any claims arising thereunder.

3.13 Section 3.13 (Contracts under Public Law and Other Legal Relationships under Public Law)

The first sentence of section 3.13 of the Spin-off Agreement contains the provision that the Spin-off Assets and Liabilities shall include all contracts under public law, Entitlements under Public Law, and Other Measures under Public Law, which are defined in greater detail in the section in question, in each case including all associated rights and obligations, provided they fall within the scope of BAG's Property Holdings. The provision in the final paragraph of section 3.2 of the Spin-off Agreement must be observed in determining whether contracts under public law, Entitlements under Public Law, or Other Measures under Public Law fall within the scope of BAG's Property Holdings.

The second sentence of section 3.13 of the Spin-off Agreement provides more concrete details, stating that the contracts under public law covered by the first sentence of section 3.13 of the Spin-off Agreement shall include monument conservation agreements and contracts under public law governing legacy contamination that relate to land specified under section 3.3 of the Spin-off Agreement, as well as property exchange agreements with local authorities, in particular the contracts listed in Schedule 3.13 to the Spin-off Agreement by subject matter, contractual partner, and contract date.

3.14 Section 3.14 (Relationships under Procedural Law)

According to section 3.14 of the Spin-off Agreement, the Spin-off Assets and Liabilities shall include all legal interests under procedural law in respect of third parties, including those arising from administrative proceedings and arbitration proceedings, and all contractual agreements with third parties concerning the recognition or corresponding implementation of the results of court proceedings, administrative proceedings, or arbitration proceedings, or the assertion of rights reserved for the parties to the proceedings, and enforceable titles arising from dunning procedures and other relationships under procedural law concluded before the Execution Date, in each case provided they relate to the Spin-off Assets and Liabilities or otherwise fall within the scope of BAG's Property Holdings. The provision in the final paragraph of section 3.2 of the Spin-off Agreement must be observed in determining whether one of the above-mentioned legal interests falls within the scope of BAG's Property Holdings.

3.15 Section 3.15 (Additions and Disposals Prior to the Execution Date)

Section 3.15 of the Spin-off Agreement contains a clause that is standard in spin-off agreements for including assets that are added or disposed of prior to the Execution Date and takes into account the fact that the Spin-off Assets and Liabilities are not static but change in the course of business operations.

3.16 Section 3.16 (Retention of Title, Expectancies, Recovery Claims and Co-ownership)

Section 3.16 of the Spin-off Agreement contains a clause relating to retention of title, expectancies, recovery claims, and co-ownership that is standard in spin-off agreements. Its purpose is to ensure that all legal interests in respect of items forming the Spin-off Assets and Liabilities and accruing to BAG at the Execution Date are transferred to BRE.

4. SECTION 4 (TERMS AND CONDITIONS OF TRANSFER)

Section 4 of the Spin-off Agreement contains provisions concerning the terms and conditions of transfer.

4.1 Section 4.1 (Execution of the Spin-off, Execution Date)

Section 4.1 of the Spin-off Agreement contains provisions concerning the execution of the Spin-off and the Execution Date. According to the first sentence of section 4.1 of the Spin-off Agreement, the transfer of the Spin-off Assets and Liabilities shall take place with effect in rem when the Spin-off is recorded in the commercial register of BAG. In the Spin-off Agreement, this point in time is referred to as the "Execution Date". According to the second sentence of section 4.1 of the Spin-off Agreement, ownership of the immovable and movable items of the Spin-off Assets and Liabilities shall also be transferred to BRE as of the Execution Date. The third sentence of section 4.1 of the Spin-off Agreement clarifies that, if the items included in the Spin-off are in the possession of third parties, BAG shall transfer its recovery claims to BRE as of the Execution Date with effect in rem.

4.2 Section 4.2 (Business Documents, Confidentiality)

Section 4.2 of the Spin-off Agreement contains provisions concerning the legal relationships regarding business documents and maintaining confidentiality. According to the first sentence of section 4.2 of the Spin-off Agreement, BRE shall acquire possession of all business documents and records that concern BAG's Property Holdings or that are maintained by BAG in connection with these holdings, in particular contractual and approval documents, and construction and building plans. The second sentence of section 4.2 of the Spin-off Agreement states that BRE shall also acquire possession of all deeds required to assert the rights to be transferred to it.

According to the third sentence of section 4.2 of the Spin-off Agreement, BRE shall be required to keep these documents, records, and deeds for BAG for the statutory retention periods and shall ensure that BAG is able to inspect and make photocopies of them. The fourth sentence of section 4.2 of the Spin-off Agreement states that all business and trade secrets shall be treated as confidential.

4.3 Section 4.3 (Obstacles to Transfer)

Section 4.3 of the Spin-off Agreement concerns the legal position regarding certain assets and liabilities that are to be transferred to BRE under this Spin-off and Transfer Agreement but are not transferred to BRE upon entry of the Spin-off in the commercial register of BAG. According to the first sentence of section 4.3 of the Spin-off Agreement, BAG shall separately transfer these assets and liabilities to BRE in accordance with the provisions applicable in each case, provided that the transfer between BAG and BRE takes effect as of the Effective Spin-off Date. The second sentence of section 4.3 of the Spin-off Agreement states that BRE shall be required to accept the transfer.

According to the third sentence of section 4.3 of the Spin-off Agreement, until the transfer becomes effective, BRE shall, at the request of BAG, undertake any necessary or expedient acts and measures and issue any necessary or expedient declarations that BRE would undertake or issue if the transfer had taken place as of the Execution Date, in particular any acts, measures, and declarations that are necessary or expedient for the fulfillment of the contractual or other obligations still applicable to BAG.

4.4 Section 4.4 (Third-party Approvals, Legal Acts and Measures under Public Law)

Section 4.4 of the Spin-off Agreement concerns third-party approvals, and legal acts and measures under public law. Should such approvals, legal acts or measures be required for the transfer of certain assets and liabilities, BAG and BRE shall endeavor to obtain or ensure them.

4.5 Section 4.5 (Catch-all Clause)

Section 4.5 of the Spin-off Agreement contains a catch-all clause in case the transfer to BRE is not possible externally. This may be the case, for example, with limited personal easements, personal rights of preemption, or legal interests under public law. If transfer to BRE is not possible externally, the first sentence of section 4.5 of the Spin-off Agreement states that BAG and BRE shall place themselves in the positions internally that they would have been in if the transfer had taken place externally as of the Effective Spin-off Date. According to the second sentence of section 4.5 of the Spin-off Agreement, the same shall apply if the third-party approval or the act or measure under public law described in section 4.4 of the Spin-off Agreement is not granted or does not occur.

4.6 Section 4.6 (General Duties of Cooperation)

According to section 4.6 of the Spin-off Agreement, BAG and BRE are subject to general duties of cooperation for the Spin-off. BAG and BRE shall be required to make any declarations, issue any deeds, and undertake any other measures or legal actions that are necessary or expedient in connection with the transfer of the Spin-off Assets and Liabilities.

4.7 Section 4.7 (Retransfer Obligation)

Section 4.7 of the Spin-off Agreement contains provisions for cases where BRE is required to retransfer assets to BAG. According to the first sentence of section 4.7 of the Spin-off Agreement, if assets and liabilities that are not to be transferred to BRE under the Spin-off Agreement are transferred to BRE for legal reasons, BRE shall be required to retransfer such assets and liabilities. The second sentence of section 4.7 of the Spin-off Agreement states that, in such cases, BAG shall be required to accept the retransfer. According to the

third sentence of section 4.7 of the Spin-off Agreement, BAG and BRE shall be required to place themselves in the positions internally that they would have been in had the transfer not taken place as of the Execution Date. The fourth sentence of section 4.7 of the Spin-off Agreement stipulates that, in this respect, the provisions of sections 4.3 to 4.6 of the Spin-off Agreement shall apply accordingly.

4.8 Section 4.8 (Creditor Protection and Internal Settlement)

Section 4.8 of the Spin-off Agreement contains provisions concerning creditor protection and internal settlement between BAG and BRE. If and to the extent that creditors assert claims against BAG or BRE for liabilities or obligations based on the provisions of section 133 of the UmwG or other legal or contractual provisions, or based on liability relationships attributable to the other legal entity under the terms of the Spin-off Agreement, the other legal entity shall upon first request indemnify the legal entity against which the claim has been asserted against such liabilities and obligations.

4.9 Section 4.9 (Exclusion of Liability)

Section 4.9 of the Spin-off Agreement contains provisions concerning the distribution of liability between BAG and BRE.

The first sentence of section 4.9 of the Spin-off Agreement states that any claims and rights of BRE against BAG based on the quality or existence of the Spin-off Assets and Liabilities to be transferred by BAG under the terms of the Spin-off Agreement, or individual items of these assets and liabilities, are excluded.

The second sentence of section 4.9 of the Spin-off Agreement clarifies that this exclusion shall apply to all rights and claims of BRE, irrespective of their nature or legal basis, and regardless of whether they are known or unknown to BRE, whether they have fallen due, are unconditional or conditional, or whether they already exist or only arise in future. According to the third sentence of section 4.9 of the Spin-off Agreement, this shall also apply in particular to claims arising from the breach of precontractual or contractual obligations or the breach of statutory obligations.

The fourth sentence of section 4.9 of the Spin-off Agreement, however, allows for an exception from the exclusion of liability and states that the provisions of sentences 1 to 3 of section 4.9 of the Spin-off Agreement shall be without prejudice to the claim to indemnification under section 4.10 of the Spin-off Agreement.

4.10 Section 4.10 (Claim to Indemnification)

Section 4.10 of the Spin-off Agreement contains a special provision according to which BAG is required to indemnify BRE against claims under certain conditions. The first sentence of section 4.10 of the Spin-off Agreement specifies that BAG shall be required to indemnify BRE against any official claims or claims under private law in connection with any contamination occurring prior to the Execution Date, provided that such claims relate to the Spin-off Assets and Liabilities, and any associated measures required, including investigation, safety, and decontamination measures.

Letters (a) to (f) of the second sentence of section 4.10 of the Spin-off Agreement contain details of what shall apply regarding the claim to indemnification referred to in the first sentence of section 4.10.

Letter (a) of the second sentence of section 4.10 of the Spin-off Agreement specifies that the indemnification shall be subject to the requirement that BRE shall inform BAG without delay of any claim and BAG shall have the opportunity to contest the claim.

Letter (b) of the second sentence of section 4.10 of the Spin-off Agreement specifies that the indemnification shall be limited to those investigation, decontamination, and safety measures that are required on the basis of statutory provisions and official directives or to prevent claims under civil or criminal law, or to comply with generally recognized principles regarding the necessity of investigation, decontamination, and safety measures. Letter (b) of the second sentence of section 4.10 of the Spin-off Agreement also contains a provision that agreements with the competent authorities and/or other third parties shall require the prior written approval of BAG.

Letter (c) of the second sentence of section 4.10 of the Spin-off Agreement specifies that the entitlement to indemnification may not be transferred to third parties in whole or in part without the prior consent of BAG and that the indemnification shall not apply to the contractual claims of third parties against BRE arising from agreements that did not receive prior approval from BAG. There is a further provision that approval may be granted for an individual case or generally, for specific cases, or until cancellation.

Letter (d) of the second sentence of section 4.10 of the Spin-off Agreement states that the indemnification shall not apply to contamination occurring after the Execution Date. Letter (d) of the second sentence of section 4.10 of the Spin-off Agreement also specifies that if the parties concerned are unable to agree on the date that the contamination occurred, they shall appoint an independent expert to decide on the matter. In this respect, letter (d) of the second sentence of section 4.10 of the Spin-off Agreement also contains the provision that, if the parties are unable to agree on an appropriate expert within one month, the choice of expert shall be made by the president of the local chamber of commerce and industry upon application by only one of the parties.

Letter (e) of the second sentence of section 4.10 of the Spin-off Agreement requires BRE to notify BAG of any claims made by third parties under private or public law in a timely manner, i.e., before a loss of rights occurs. It also contains provisions that, upon BAG's request and after assumption of the associated costs, BRE shall endeavor to refute the claim in cooperation with BAG and that agreements with any third parties under public or private law shall require the prior approval of BAG. Furthermore, letter (e) of the second sentence of section 4.10 of the Spin-off Agreement states that failure to comply with this procedure shall lead to the loss of the entitlement to indemnification described if this non-compliance may give rise to a loss of rights for one of the parties involved.

Letter (f) of the second sentence of section 4.10 of the Spin-off Agreement specifies that BRE shall be obliged to give priority to asserting any existing indemnification, liability, or other claims against third parties, in particular tenants, lessees, or other beneficiaries of rights of use or transfers for use of the land, buildings, building areas, or structures concerned, and, if such claims are successful, to partly or fully reimburse BAG for any payments already received on the basis of section 4.10 of the Spin-off Agreement, or, if the third party has not yet fulfilled its obligation, to assign to BAG the corresponding claims against the third party. According to the subsequent provisions under letter (f) of the second sentence of section 4.10 of the Spin-off Agreement, though, this shall not apply to any claims against Lanxess Aktiengesellschaft or its affiliates if these claims may only be asserted by BAG in accordance with the "Master Agreement" between BAG and Lanxess Aktiengesellschaft of September 2004. BRE is, however, required to support BAG in the assertion and enforcement of such claims as far as possible.

Finally, letter (g) of the second sentence of section 4.10 of the Spin-off Agreement clarifies that the provisions of section 4.10 of the Spin-off Agreement shall not prevent BAG and BRE from making alternative provisions, generally or on a case-by-case basis, for future issues relating to contamination by means of separate agreements.

5. SECTION 5 (CONSIDERATION)

Section 5 of the Spin-off Agreement contains provisions regarding the compensation that BRE shall grant BAG for the transfer of the Spin-off Assets and Liabilities.

5.1 Section 5.1 (Capital Increase to Implement the Spin-off)

According to section 5.1 of the Spin-off Agreement, in order to execute the Spin-off, BRE shall increase its share capital by EUR 1,000.00, from EUR 1,534,000.00 to EUR 1,535,000.00, by creating a new share with a nominal value of EUR 1,000.00.

5.2 Section 5.2 (Grant of a Share)

Section 5.2 of the Spin-off Agreement concerns the granting of the new share referred to in Section 5.1 with a nominal value of EUR 1,000.00. The first sentence of section 5.2 of the Spin-off Agreement states that BRE shall grant BAG this share as compensation for the transfer of the Spin-off Assets and Liabilities. The second and third sentences of section 5.2 of the Spin-off Agreement contain provisions regarding the date on which entitlement to a share in the profits begins (see section 126(1) no. 5 of the UmwG). The second sentence of section 5.2 of the Spin-off Agreement states that the share shall be granted free of charge and shall entitle BAG to a share of profits as of January 1, 2011. The third sentence of section 5.2 of the Spin-off Agreement contains a provision that, if the Effective Spin-off Date specified in section 8.1 is deferred, the start date of the entitlement to a share in profits arising from the new share shall be deferred accordingly. According to the provision in the fourth sentence of section 5.2 of the Spin-off Agreement, the share to be granted to BAG shall be provided with its own number in BRE's list of stockholders.

5.3 Section 5.3 (Appropriation to Capital Reserves)

Section 5.3 of the Spin-off Agreement contains a provision regarding the use of the amount by which the carrying amount of the net assets transferred by BAG to BRE as a result of the Spin-off exceeds the notional interest in the share capital of the share granted in compensation. It states that the difference shall be allocated to BRE's capital reserves in accordance with section 272(2) no. 1 of the Handelsgesetzbuch (German Commercial Code).

6. SECTION 6 (SPECIAL RIGHTS AND BENEFITS)

6.1 Section 6.1 (No Special Rights)

Section 6.1 of the Spin-off Agreement specifies that no rights or other measures for individual stockholders or special rights holders within the meaning of section 126(1) no. 7 of the UmwG shall be granted.

6.2 Section 6.2 (No Special Benefits)

Section 6.2 of the Spin-off Agreement clarifies that no special benefits as defined by section 126(1) no. 8 of the UmwG shall be granted to members of the Board of Management, executives, or the Supervisory Board of either of the companies involved in the Spin-off or an auditor of either of the companies involved.

7. SECTION 7 (IMPLICATIONS OF THE SPIN-OFF FOR EMPLOYEES AND EMPLOYEE REPRESENTATION)

Section 7 of the Spin-off Agreement contains details required by section 126(1) no. 11 of the UmwG regarding the implications of the spin-off for employees and their representation, and the relevant planned measures.

The first sentence of section 7 of the Spin-off Agreement states that no employees are allocated to BAG's Property Holdings. Consequently, according to the second sentence of section 7 of the Spin-off Agreement, no employment relationships, operations, or business units as defined by labor law shall be transferred to BRE.

The third sentence of section 7 of the Spin-off Agreement clarifies that the existing collective agreements and works agreements within the BAG Group shall not be affected by the Spin-off. According to the fourth sentence of section 7 of the Spin-off Agreement, the Spin-off shall not affect the existing protection against termination of employment contracts provided by law, collective agreements, or other means either. Finally, the fifth sentence of section 7 of the Spin-off Agreement states that the Spin-off shall not affect employee representative bodies.

8. SECTION 8 (MISCELLANEOUS)

8.1 Section 8.1 (Change of Execution Date)

Section 8.1 of the Spin-off Agreement contains provisions in case the Spin-off has not been entered in the commercial registry of BAG by December 31, 2011. In this case, in accordance with the first sentence of section 8.1 of the Spin-off Agreement and contrary to section 2.3 of this Agreement, the Effective Spin-off Date shall be January 1, 2012 and, in accordance with the second sentence of section 8.1 of the Spin-off Agreement, the Spin-off shall be based on BAG's statement of financial position to be prepared as of December 31, 2011 as the Closing Statement of Financial Position.

If the entry is further delayed beyond December 31 of the following year, the third sentence of section 8.1 of the Spin-off Agreement specifies that the Effective Spin-off Date and the date of the Closing Statement of Financial Position shall each be deferred by one year in accordance with the above provision. The fourth sentence of section 8.1 of the Spin-off Agreement clarifies that the same shall apply to the effective transfer date for tax purposes as defined by the fourth sentence of section 2.3 of the Spin-off Agreement.

8.2 Section 8.2 (Applicable Law, Legal Venue)

According to the provision in section 8.2 of the Spin-off Agreement, the Spin-off Agreement shall be subject to German law and the legal venue for any disputes arising from the Spin-off Agreement is Leverkusen.

8.3 Section 8.3 (Costs and Taxes)

Section 8.3 of the Spin-off Agreement contains provisions on costs and taxes.

8.4 Section 8.4 (Severability Clause)

Section 8.4 of the Spin-off Agreement states how to proceed if one or more of the provisions of the Spin-off Agreement is or becomes invalid, unenforceable, or ineligible for entry in the commercial register.

8.5 Section 8.5 (Entry into Effect, Termination)

Section 8.5 of the Spin-off Agreement concerns the entering into effect of the Spin-off Agreement, its entry in the commercial register, and the possibility of one of the parties terminating the Agreement. According to the first sentence of section 8.5 of the Spin-off Agreement, the Spin-off Agreement shall only enter into effect upon approval by the Stockholders' Meeting of BAG and the Stockholders' Meeting of BRE. The second sentence of section 8.5 of the Spin-off Agreement states that the Spin-off shall also require entry in the commercial register of BAG in order to take effect and, according to the third sentence of section 8.5 of the Spin-off Agreement, this may only take place after entry in the commercial register of BRE.

The fourth sentence of section 8.5 of the Spin-off Agreement contains the provision that, if the entry in the commercial register of BAG is not made by the end of March 31, 2012, each of the parties shall be entitled to terminate the Spin-off Agreement with one month's notice and the fifth sentence of section 8.5 of the Spin-off Agreement adds that the termination must be notified in writing. According to the sixth sentence of section 8.5 of the Spin-off Agreement, the notice of termination in the required form and within the prescribed period shall become invalid if entry in the commercial register of BAG is made before the end of the notice period.

8.6 Section 8.6 (Schedules)

Finally, section 8.6 of the Spin-off Agreement stipulates that the Schedules to the Spin-off Agreement form an integral part of the Agreement.

Leverkusen, February 24, 2011



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Leverkusen, February 24, 2011



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