Science For A Better Life

CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENTS

between

Bayer Aktiengesellschaft, Leverkusen and eight Bayer Group companies (limited liability companies)

- Bayer Business Services GmbH
- Bayer Technology Services GmbH
- Bayer US IP GmbH
- Bayer Bitterfeld GmbH
- Bayer Innovation GmbH
- Bayer Real Estate GmbH
- Erste K-W-A Beteiligungsgesellschaft mbH
- Zweite K-W-A Beteiligungsgesellschaft mbH

JOINT REPORTS

of the Board of Management of Bayer Aktiengesellschaft and the respective managements of eight Bayer Group companies in accordance with section 293a of the German Stock Corporation Act (AktG),

submitted under item 9 of the agenda of the Annual Stockholders' Meeting of Bayer Aktiengesellschaft on April 29, 2014

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The Bayer AG Financial Statements for 2011, 2012 and 2013 are available on the internet at www.bayer.com/stockholders-meeting, as are the combined management reports of Bayer AG and the Bayer Group which form part of the Bayer Annual Reports for the respective years. You can also order the print versions of the Bayer AG financial statements and the Bayer Annual Reports for these years by email (serviceline@bayer.com).

CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

in the form of an

Amendment Agreement to the Control and Profit and Loss Transfer Agreement dated March 11, 2003,

between

Bayer Aktiengesellschaft, Leverkusen, ("BAYER")

and

Bayer Business Services GmbH, Leverkusen, ("BBS")

The Parties entered into a Control and Profit and Loss Transfer Agreement on March 11, 2003. To reflect amendments to statutory provisions, the Parties have amended the Agreement in its entirety as follows:

§ 1 Management

(1) BBS places the management of its company under the control of BAYER. BAYER is thus entitled to issue instructions to the Management of BBS with regard to the management of the company. The provisions of section 308 of the AktG, as amended, shall apply, with the necessary modifications.

(2) BAYER shall only exercise its right to issue instructions through the Board of Management. Any instruction must be issued in writing.

§ 2. Profit Transfer

(1) BBS agrees to transfer its entire profit to BAYER. The provisions of section 301 of the AktG, as amended, shall apply, with the necessary modifications.

(2) BBS may transfer amounts from its net income for the year to other retained earnings (section 272(3) of the German Commercial Code (HGB)) with BAYER's consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the term of the Agreement in accordance with section 272(3) of the HGB shall be released if required by BAYER.

(3) The transfer of amounts resulting from the release of other retained earnings in accordance with section 272(3) of the HGB created before the commencement of this Agreement or from capital reserves is excluded.

§ 3. Absorption of Losses

The provisions of section 302 of the AktG, as amended, shall apply, with the necessary modifications.

§ 4. Effective Date and Duration

(1) This Agreement requires the approval of the Annual Stockholders' Meeting of BAYER and the Annual Members' Meeting of BBS.

(2) The amended Agreement shall take effect upon entry in the commercial register at the domicile of BBS and shall apply retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. The right to issue instructions can only be exercised after the Agreement has been entered as amended in the commercial register at the domicile of BBS. The original version of the Agreement shall apply for the period prior to the effective date of the amended Agreement.

(3) The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the amended Agreement takes effect. If the Agreement is not terminated, it shall be automatically extended by one fiscal year in each case, subject to the same notice period.

(4) The right to terminate the Agreement for good cause without compliance with any notice period is not affected. In particular, BAYER is entitled to terminate the Agreement for good cause if it no longer holds a majority interest in BBS, another investor has acquired a stake in BBS, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. Good cause for extraordinary termination shall also extend, in particular, to the merger, split-off, or liquidation of one of the Parties.

§ 5. Other Provisions

The ineffectiveness or unenforceability of one or more provisions of this Agreement shall not affect the validity of the remaining provisions.

Leverkusen, February 17, 2014	Cologne, February 4, 2014
Bayer Aktiengesellschaft	Bayer Business Services GmbH

JOINT REPORT

by the Board of Management of Bayer Aktiengesellschaft, Leverkusen, ("BAYER")

and the

Management of Bayer Business Services GmbH, Leverkusen, ("BBS")

on the Control and Profit and Loss Transfer Agreement dated February 4/17, 2014

in accordance with section 293a of the German Stock Corporation Act (AktG)

In order to inform their stockholders and members and to prepare the resolution for the Annual Stockholders' Meeting of BAYER and the Annual Members' Meeting of BBS, the Board of Management of BAYER and the Management of BBS are submitting the following joint report on the Amendment Agreement to the Control and Profit and Loss Transfer Agreement dated March 11, 2003, between BAYER and BBS:

1. AMENDMENT AGREEMENT; EFFECTIVE DATE

The Amendment Agreement to the Control and Profit and Loss Transfer Agreement dated March 11, 2003, was entered into on February 4/17, 2014. It will be submitted for approval in accordance with sections 293 and 295 of the AktG to BAYER's Annual Stockholders' Meeting on April 29, 2014. It is planned that BBS's Annual Members' Meeting will approve the conclusion of the Amendment Agreement by way of a notarized resolution dated February 27, 2014. The Amendment Agreement must also be entered in the commercial register at the domicile of BBS in order to take effect.

2. PARTIES TO THE AGREEMENT

BAYER is a German stock corporation (Aktiengesellschaft) entered in the commercial register of the Cologne Local Court (Amtsgericht) under the number HRB 48248 with its registered office in Leverkusen. BAYER's fiscal year is the calendar year. According to the company's Articles of Incorporation, the purpose of the company is manufacturing, marketing and other industrial activities, or the provision of services, in the fields of health care, agriculture, polymers and chemicals. BAYER is the parent company of the Bayer Group. The Bayer Group conducts its operations in three subgroups: Bayer HealthCare, Bayer Crop-Science and Bayer MaterialScience. These are supported by three service companies.

BAYER's total assets in 2011 and 2012 were approximately €38 billion and approximately €36 billion, respectively, and its distributable profit was €1,364 billion in 2011 and €1,571 billion in 2012. In 2013, total assets were approximately €38 billion and distributable profit was €1,764 million.

BBS is a German limited liability company (Gesellschaft mit beschränkter Haftung) entered in the commercial register of the Cologne Local Court under the number HRB 49895. Its fiscal year is the calendar year. The company's registered office is in Leverkusen, but its management is in Cologne. BBS's capital stock amounts to €6 million. The sole member is BAYER. BBS is the Bayer Group's global competence center for IT and business services. It provides services in the areas of management consulting, corporate accounting, human resources development and administration, information management, procurement and logistics, financial management and knowledge management. BBS may establish, acquire and invest in other enterprises, especially those whose corporate purpose fully or partially extends to the aforementioned areas. These enterprises include the HR services provider Bayer Direct Services GmbH, the accounting shared services center Euroservices Bayer GmbH and Travelboard GmbH as a provider of travel services.

BBS's total assets amounted to €530 million in fiscal year 2011, €544 million in 2012 and €550 million in 2013. The net loss before loss absorption by Bayer AG amounted to approximately €65.8 million in 2011 and approximately €103.4 million in 2012. BBS generated a loss of approximately €74 million in 2013.

3. EXPLANATION OF THE AMENDMENT AGREEMENT

1. Management

In accordance with § 1 of the Control and Profit and Loss Transfer Agreement, as amended by the Amendment Agreement, BBS places the management of its company under the control of BAYER. BAYER is entitled to issue instructions to the Management of BBS with regard to the management of the company. To the extent that no instructions are issued, the Management of BBS manages the company at its own responsibility.

The right to issue instructions is determined in accordance with section 308 of the AktG. BBS is required to follow legitimate instructions. Instructions can also be issued that are detrimental to BBS if they serve the interests of BAYER and companies that are members of the Bayer Group. The Management is not required to comply with any prohibited instructions, for example, instructions that would violate mandatory statutory provisions if they were to be followed. Furthermore, no instruction to amend, maintain, or terminate the Agreement may be issued.

In this respect, there are no changes to the content of the original version of the Agreement.

2. Profit Transfer

In accordance with § 2 of the Agreement, as amended by the Amendment Agreement, BBS agrees to transfer its entire profit to BAYER. Subject to the creation or release of reserves, net income for the year before transfer of profit, reduced by any loss carried forward from the previous year and by the amount subject to a restriction on distribution in accordance with section 268(8) of the HGB, must be transferred. BBS may transfer amounts from net income for the year to other retained earnings with BAYER's consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the course of the Agreement must be released if required by BAYER and must be used to offset the net loss for any year or transferred as profit. These provisions correspond to the restrictions on transferring profit set out in section 301 of the AktG that apply in this case, with the necessary modifications. Section 301 of the AktG, as amended, also applies, with the necessary modifications.

In this respect, there are no material changes from the corresponding provision of the original version of the Agreement. The amendments essentially relate solely to the provisions of section 301 of the AktG, whose application with the necessary modifications had already been prescribed in the original Agreement. There is also a dynamic reference to section 301 of the AktG ("as amended").

3. Absorption of Losses

In accordance with § 3 of the Agreement, as amended by the Amendment Agreement, BAYER is required to absorb the losses in accordance with section 302 of the AktG, as amended. Pursuant to section 302 of the AktG, BAYER is obligated to compensate any net loss for the year arising during the term of the Agreement to the extent that it is not offset by withdrawing amounts from other retained earnings that were transferred to them during the course of the Agreement. By way of application of section 302(3) of the AktG, with the necessary modifications, BBS may not waive or settle the claim to have losses offset until three years after the date on which entry of the termination of the Agreement in the commercial register is deemed to have been announced. In accordance with section 302(4) of the AktG, the statute of limitation for any claims by BBS is ten years starting from the day on which notice of the entry of the termination of the Agreement in the commercial register has been announced pursuant to section 10 of the HGB.

The provision on the absorption of losses also remains essentially unchanged. The only material change is the dynamic reference to section 302 of the AktG ("as amended").

4. Effective Date and Duration

The Agreement, as amended by the Amendment Agreement, takes effect upon entry in the commercial register at the domicile of BBS and applies retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. For the period prior to the effective date of the Agreement, as amended by the Amendment Agreement, the original Agreement dated March 11, 2003, applies. This explains the order of the phased applicability of the different versions.

The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the Agreement, as amended by the Amendment Agreement, takes effect. A minimum term of five years from the effective date of the Agreement, as amended, is again agreed in this respect.

If the Agreement is not terminated, it will be automatically extended by one fiscal year in each case, subject to the same notice period. The existing requirement continues to apply in this respect.

In addition, the Agreement can be terminated for good cause without compliance with any notice period. This applies especially to BAYER in the event that BAYER no longer holds a majority interest in BBS, another investor has acquired a stake in BBS, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. In accordance with R 60(6) sentence 2 of the KStR of 2004, good cause for extraordinary termination also extends to the sale or contribution of the tax group subsidiary by the tax group parent as well as to the merger, split-off, or liquidation of the tax group parent or the tax group subsidiary. The latter case is explicitly defined in the Agreement as good cause. The reasons for termination for good cause are thus specified in greater detail than in § 3 of the original Agreement. The only new feature is the possibility to terminate the Agreement in the event of the merger, split-off, or liquidation of one of the Parties. This is advisable as set out in administrative order R 60(6) sentence 2 of the KStR of 2004.

5. Miscellaneous

The amended Agreement, like the original Agreement, does not provide for any compensation payments or any settlement for noncontrolling interest shareholders because BAYER is the sole member of BBS.

Since BAYER holds all of the shares of BBS, no examination of the Amendment Agreement by an expert auditor (contract auditor) is required under section 293b(1) of the AktG, with the necessary modifications, and no report on any audit must be prepared under section 293e of the AktG.

4. ECONOMIC IMPORTANCE AND PURPOSE OF THE AMENDMENT AGREEMENT

The Amendment Agreement primarily serves the purpose of maintaining the consolidated tax group between BAYER and BBS. With regard to the obligation to absorb losses in particular, a dynamic reference to section 302 of the AktG must be made because such a reference requires the application section 17 sentence 2 no. 2 of the German Corporate Income Tax Act (KStG) since its most recent amendment. In addition, section 14(1) sentence 1 no. 3 of the KStG sets out that the Profit and Loss Transfer Agreement must be concluded for a minimum of five years. While section 34(10b) sentence 4 of the KStG establishes that amendment agreements relating to the dynamic reference to section 302 of the AktG are not considered new agreements for the application of section 14(1) sentence 1 no. 3 of the KStG, based on the wording of the provision this only applies to agreements that up to now did not include a corresponding reference to section 302 of the AktG. Whether this also applies to agreements that, as is the case here, contained such a reference and are now being updated in line with the current legal situation is unclear. To avoid these interpretation difficulties and the associated possible disallowance of the consolidated tax group, it is agreed that notice of termination may not be given prior to the expiration of five years after the entry into force of the amended Agreement. This is because it is assumed that the amended Agreement will have a term of at least five years.

The consolidated tax group for corporate income tax and trade tax purposes thus maintained results in consolidated taxation of BBS (the tax group subsidiary) and BAYER (the tax group parent). This enables profits and losses to be offset against each other for tax purposes. Only BAYER as the tax group parent is thus liable for corporate income tax and trade tax. The Amendment Agreement therefore still enables the tax-optimized recognition of the profits and losses of BBS in the context of a consolidated tax group for corporate income tax and trade tax purposes.

Apart from this, no material changes to the content have been made; most of the modifications merely entail editorial changes. The changes therefore do not have any financial or operating effects for the companies involved.

On the whole, the Agreement, as amended by the Amendment Agreement, contains the standard provisions agreed when a group of companies is established.

5. ALTERNATIVES TO ENTERING INTO THE CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

There was no economically reasonable alternative to entering into the Amendment Agreement between BAYER and BBS that could have achieved the objectives described above in the same manner or better. In particular, entering into other types of intercompany agreement within the meaning of section 292 of the AktG (agreement to lease a business, agreement to transfer a business, profit pooling, or partial profit transfer agreement) or a management agreement cannot maintain the consolidated taxation of BAYER and BBS.

Leverkusen, February 17, 2014

Bayer Aktiengesellschaft
The Board of Management

Marijn Dekkers
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Dr. Dekkers

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Baumann

Michael König
____
König

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Malik

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Dr. Plischke

Cologne, February 4, 2014

Bayer Business Services GmbH
The Executive Board

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Hartert

____
Oehlschläger

Income Statement of Bayer Business Services GmbH, Leverkusen, for the period from January 1 to December 31, 2011

	2010	2011
	€ thousand	€ thousand
Sales	**797,541**	**816,068**
Cost of goods sold	(735,083)	(748,018)
Gross profit	**62,458**	**68,050**
Selling expenses	(28,866)	(26,601)
Development expenses	(5,228)	(5,656)
General administration expenses	(18,386)	(26,831)
Other operating income	3,900	5,383
Other operating expenses of which other taxes €149 thousand (2010: €130 thousand)	(3,082)	(35,729)
Operating result	**10,796**	**(21,384)**
Dividends and similar income	295	0
Income from profit and loss transfer agreements with affiliated companies	1,037	3,328
Expenses from profit and loss transfer agreements with affiliated companies	(7,031)	(22,977)
Write-downs of investments in affiliated companies	(1,928)	(2,384)
Gains from the sale of investments		
Losses from the sale of investments		
Income from other securities and loans included in investments	33	26
Other interest and similar income of which from affiliated companies €3,926 thousand (2010: €1,773 thousand) of which income resulting from discounting of provisions €550 thousand (2010: €447 thousand)	2,230	4,228
Interest and similar expenses of which to affiliated companies €15 thousand (2010: €1 thousand) of which interest portion of interest-bearing provisions and liabilities €14,954 thousand (2010: €13,776 thousand)	(18,375)	(16,171)
Miscellaneous financial income of which from currency translation €3,861 thousand (2010: €4,805 thousand)	4,805	3,861
Miscellaneous financial expenses of which from affiliated companies €10,991 thousand (2010: €13,090 thousand) of which from currency translation €3,405 thousand (2010: €4,333 thousand)	(17,423)	(14,410)
Financial result	**(36,357)**	**(44,499)**
Income before income taxes	**(25,561)**	**(65,883)**
Income from the assumption of losses by Bayer AG	25,561	41,813
Net income/loss	**0**	**(24,070)**
Withdrawals from retained earnings	0	24,070
Distributable profit / loss	**0**	**0**

Balance Sheet of Bayer Business Services GmbH, Leverkusen, as of December 31, 2011

	Dec. 31, 2010	Dec. 31, 2011
	€ thousand	€ thousand
ASSETS		
Noncurrent assets		
Intangible assets		
Concessions, industrial property rights, similar rights and assets, and licenses thereunder	12,953	12,718
Advance payments	53	114
	13,006	**12,832**
Property, plant and equipment		
Land and buildings	2,449	1,898
Machinery and technical equipment	4,941	3,467
Furniture, fixtures and other equipment	22,799	19,411
Advance payments and assets under construction	740	3
	30,929	**24,779**
Investments		
Investments in affiliated companies	26,230	23,847
Other loans	544	462
	26,774	**24,309**
	70,709	**61,920**
Current assets		
Inventories		
Work in process	4,639	3,266
	4,639	**3,266**
Receivables and other assets		
Trade accounts receivable – of which from affiliated companies €69,796 thousand (Dec, 31, 2010: €67,170 thousand) – of which from the parent company €6,334 thousand (Dec, 31, 2010: €3,765 thousand)	71,825	75,571
Receivables from affiliated companies – of which from the parent company €358,099 thousand (Dec, 31, 2010: €365,325 thousand)	366,475	361,505
Other assets	4,419	2,343
	442,719	**439,419**
	447,358	**442,685**
Cash and cash equivalents		
Bank balances	328	475
	328	**475**
Deferred charges	**21,059**	**20,619**
Surplus from offsetting	**267**	**4,639**
	539,721	**530,338**

Balance Sheet of Bayer Business Services GmbH, Leverkusen, as of December 31, 2011

	Dec, 31, 2010	Dec, 31, 2011
	€ thousand	€ thousand
EQUITY AND LIABILITIES		
Equity		
Capital stock	6,000	6,000
Capital reserve	80,712	80,712
Other retained earnings	24,070	0
Distributable profit / loss	0	0
	110,782	**86,712**
Provisions		
Provisions for pensions and other post-employment benefits	217,084	194,628
Other provisions	78,260	111,561
	295,344	**306,189**
Other liabilities		
Trade accounts payable – of which to affiliated companies €10,858 thousand (Dec, 31, 2010: €9,003 thousand) – of which due in < 1 year €85,387 thousand (Dec, 31, 2010: €85,129 thousand) – of which due in between 1 and 5 years €15,525 thousand (Dec, 31, 2010: €27,738 thousand)	112,867	100,912
Payables to affiliated companies - of which to the parent company €668 thousand (Dec, 31, 2010: €922 thousand) - of which due in < 1 year €23,960 thousand (Dec, 31, 2010: €8,210 thousand)	8,210	23,960
Miscellaneous liabilities – of which for taxes €5,603 thousand (Dec, 31, 2010: €5,460 thousand) – of which for social security €5,743 thousand (Dec, 31, 2010: €6,455 thousand) – of which due in < 1 year €10,098 thousand (Dec, 31, 2010: €9,955 thousand – of which due in between 1 and 5 years €1,224 thousand (Dec, 32, 2010: €1,797 thousand) – of which due in > 5 years €656 thousand (Dec, 31, 2010: €767 thousand)	12,518	11,978
	133,595	**136,850**
Deferred income	**0**	**587**
	539,721	**530,338**

Leverkusen, February 24, 2012

Bayer Business Services GmbH
The Executive Board

Daniel Hartert

Norbert Fieseler

Changes in Noncurrent Assets of Bayer Business Services GmbH, Leverkusen, in the period from January 1 to December 31, 2011

	Cost of acquisition				
	As of: Jan. 1, 2011	Additions	Retire-ments	Transfers	As of: Dec. 31, 2011
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Concessions, industrial property rights, similar rights and assets and licenses thereunder	48,654	7,429	2,009	53	54,127
Advance payments	53	114	0	(53)	114
Intangible assets	**48,707**	**7,543**	**2,009**	**0**	**54,241**
Land and buildings	5,833	0	40	0	5,793
Machinery and technical equipment	23,772	11	653	0	23,130
Furniture, fixtures and other equipment	109,622	7,467	16,827	738	101,000
Advance payments and assets under construction	740	4	3	(738)	3
Property, plant and equipment	**139,967**	**7,482**	**17,523**	**0**	**129,926**
Investments in affiliated companies	37,738	0	0	0	37,738
Other loans	544	56	138	0	462
Investments	**38,282**	**56**	**138**	**0**	**38,200**
Noncurrent assets	**226,956**	**15,081**	**19,670**	**0**	**222,367**

	Accumulated depreciation/amortization/write-downs					Net carrying amounts	
	As of: Jan. 1, 2011	Additions	Write-downs	Retire-ments	As of: Dec. 31, 2011	As of: Dec. 31, 2010	As of: Dec. 31, 2011
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Concessions, industrial property rights, similar rights and assets and licenses thereunder	35,701	7,798	(84)	2,006	41,409	12,953	12,718
Advance payments	0	0	0	0	0	53	114
Intangible assets	**35,701**	**7,798**	**(84)**	**2,006**	**41,409**	**13,006**	**12,832**
Land and buildings	3,384	551	0	40	3,895	2,449	1,898
Machinery and technical equipment	18,831	1,485	0	653	19,663	4,941	3,467
Furniture, fixtures and other equipment	86,823	11,322	0	16,556	81,589	22,799	19,411
Advance payments and assets under construction	0	0	0	0	0	740	3
Property, plant and equipment	**109,038**	**13,358**	**0**	**17,249**	**105,147**	**30,929**	**24,779**
Investments in affiliated companies	11,507	2,384	0	0	13,891	26,230	23,847
Other loans	0	0	0	0	0	544	462
Investments	**11,507**	**2,384**	**0**	**0**	**13,891**	**26,774**	**24,309**
Noncurrent assets	**156,246**	**23,540**	**(84)**	**19,255**	**160,447**	**70,709**	**61,920**

Income Statement of Bayer Business Services GmbH, Leverkusen, for the period from January 1 to December 31, 2012

	2011	2012
	€ thousand	€ thousand
Sales	**816,068**	**881,754**
Cost of goods sold	(748,018)	(831,007)
Gross profit	**68,050**	**50,747**
Selling expenses	(26,601)	(27,262)
Development expenses	(5,656)	(4,776)
General administration expenses	(26,831)	(39,350)
Other operating income	5,383	7,045
Other operating expenses of which other taxes (€60 thousand) [2011: €149 thousand]	(35,729)	(23,634)
Operating result	**(21,384)**	**(37,230)**
Income from profit and loss transfer agreements with affiliated companies	3,328	99
Expenses from profit and loss transfer agreements with affiliated companies	(22,977)	(34,450)
Write-downs of investments in affiliated companies	(2,384)	(5,881)
Income from other securities and loans included in investments	26	19
Other interest and similar income of which from affiliated companies €1,176 thousand (2011: €3,926 thousand) of which income resulting from discounting of provisions €0 thousand (2011: €550 thousand)	4,228	1,848
Interest and similar expenses of which to affiliated companies €2 thousand (2011: €15 thousand) of which interest portion of interest-bearing provisions and liabilities €10,875 thousand (2011: €14,954 thousand)	(16,171)	(11,003)
Miscellaneous financial income of which from currency translation €5,463 thousand (2011: €3,861 thousand)	3,861	5,463
Miscellaneous financial expenses of which from affiliated companies €16,787 thousand (2011: €10,991 thousand) of which from currency translation €5,653 thousand (2011: €3,405 thousand)	(14,410)	(22,338)
Financial result	**(44,499)**	**(66,243)**
Income before income taxes	**(65,883)**	**(103,473)**
Income from the assumption of losses by Bayer AG	41,813	103,473
Net income/loss	**(24,070)**	**0**
Withdrawals from retained earnings	24,070	0
Distributable profit / loss	**0**	**0**

Balance Sheet of Bayer Business Services GmbH, Leverkusen, as of December 31, 2012

	Dec. 31, 2011	Dec. 31, 2012
	€ thousand	€ thousand
ASSETS		
Noncurrent assets		
Intangible assets		
Concessions, industrial property rights, similar rights and assets, and licenses thereunder	12,718	10,939
Advance payments	114	105
	12,832	**11,044**
Property, plant and equipment		
Land and buildings	1,898	1,676
Machinery and technical equipment	3,467	2,716
Furniture, fixtures and other equipment	19,411	19,112
Advance payments and assets under construction	3	464
	24,779	**23,968**
Investments		
Investments in affiliated companies	23,847	17,967
Other loans	462	359
	24,309	**18,326**
	61,920	**53,338**
Current assets		
Inventories		
Work in process	3,266	2,134
	3,266	**2,134**
Receivables and other assets		
Trade accounts receivable – of which from affiliated companies €97,790 thousand (Dec. 31, 2011: €69,796 thousand) – of which from the parent company €4,314 thousand (Dec. 31, 2011: €6,334 thousand)	75,571	102,563
Receivables from affiliated companies – of which from the parent company €350,745 thousand (Dec. 31, 2011: €358.099 thousand)	361,505	355,540
Other assets	2,343	4,353
	439,419	**462,456**
	442,685	**464,590**
Cash and cash equivalents		
Bank balances	475	542
	475	**542**
Deferred charges	**20,619**	**8,227**
Surplus from offsetting	**4,639**	**17,010**
	530,338	**543,707**

Balance Sheet of Bayer Business Services GmbH, Leverkusen, as of December 31, 2012

	Dec. 31, 2011	Dec. 31, 2012
	€ thousand	€ thousand
EQUITY AND LIABILITIES		
Equity		
Capital stock	6,000	6,000
Capital reserve	80,712	80,712
Distributable profit / loss	0	0
	86,712	**86,712**
Provisions		
Provisions for pensions and other post-employment benefits	194,628	208,055
Other provisions	111,561	97,393
	306,189	**305,448**
Other liabilities		
Trade accounts payable – of which to affiliated companies €16,889 thousand (Dec. 31, 2011: €10,858 thousand) – of which to the parent company €607 thousand (Dec. 31, 2011: €0 thousand) – of which due in < 1 year €97,146 thousand (Dec. 31, 2011: €85,387 thousand) – of which due in between 1 and 5 years €4,700 thousand (Dec. 31, 2011: €15,525 thousand)	100,912	101,847
Payables to affiliated companies – of which to the parent company €592 thousand (Dec. 31, 2011: €668 thousand) – of which due in < 1 year €35,323 thousand (Dec. 31, 2011: €23,960 thousand)	23,960	35,323
Miscellaneous liabilities – of which for taxes €6,216 thousand (Dec. 31, 2011: €5,603 thousand) – of which for social security €5,756 thousand (Dec. 31, 2011: €5,743 thousand) – of which due in < 1 year €12,553 thousand (Dec. 31, 2011: €11,869 thousand) – of which due in between 1 and 5 years €655 thousand (Dec. 31, 2011: €1,224 thousand) – of which due in > 5 years €542 thousand (Dec. 31, 2011: €656 thousand)	11,978	13,749
	136,850	**150,919**
Deferred income	**587**	**628**
	530,338	**543,707**

Leverkusen, February 18, 2013

Bayer Business Services GmbH
The Executive Board

Daniel Hartert

Wilhelm Oehlschläger

Changes in Noncurrent Assets of Bayer Business Services GmbH, Leverkusen, in the period from January 1 to December 31, 2012

	Cost of acquisition				
	As of: Jan. 1, 2012	Additions	Retire-ments	Transfers	As of: Dec. 31, 2012
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Concessions, industrial property rights, similar rights and assets and licenses thereunder	54,127	5,378	2,808	114	56,811
Advance payments	114	105	0	(114)	105
Intangible assets	**54,241**	**5,483**	**2,808**	**0**	**56,916**
Land and buildings	5,793	0	0	0	5,793
Machinery and technical equipment	23,130	34	436	0	22,728
Furniture, fixtures and other equipment	101,000	9,561	12,574	0	97,987
Advance payments and assets under construction	3	461			464
Property, plant and equipment	**129,926**	**10,056**	**13,010**	**0**	**126,972**
Investments in affiliated companies	37,738	0	0	0	37,738
Other loans	462	41	144	0	359
Investments	**38,200**	**41**	**144**	**0**	**38,097**
Noncurrent assets	**222,367**	**15,580**	**15,962**	**0**	**221,985**

	Accumulated depreciation/amortization/write-downs					Net carrying amounts	
	As of: Jan. 1, 2012	Additions	Write-downs	Retire-ments	As of: Dec. 31, 2012	As of: Dec. 31, 2011	As of: Dec. 31, 2012
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Concessions, industrial property rights, similar rights and assets and licenses thereunder	41,409	7,129	0	2,666	45,872	12,718	10,939
Advance payments	0	0	0	0	0	114	105
Intangible assets	**41,409**	**7,129**	**0**	**2,666**	**45,872**	**12,832**	**11,044**
Land and buildings	3,895	222	0	0	4,117	1,898	1,676
Machinery and technical equipment	19,663	771	0	422	20,012	3,467	2,716
Furniture, fixtures and other equipment	81,589	9,641	0	12,355	78,875	19,411	19,112
Advance payments and assets under construction	0				0	3	464
Property, plant and equipment	**105,147**	**10,634**	**0**	**12,777**	**103,004**	**24,779**	**23,968**
Investments in affiliated companies	13,891	0	5,880	0	19,771	23,847	17,967
Other loans	0	0	0	0	0	462	359
Investments	**13,891**	**0**	**5,880**	**0**	**19,771**	**24,309**	**18,326**
Noncurrent assets	**160,447**	**17,763**	**5,880**	**15,443**	**168,647**	**61,920**	**53,338**

Income Statement of Bayer Business Services GmbH, Leverkusen, for the period from January 1 to December 31, 2013

	2012	2013
	€ thousand	€ thousand
Sales	**881,754**	**849,457**
Cost of goods sold	(831,007)	(775,530)
Gross profit	**50,747**	**73,927**
Selling expenses	(27,262)	(25,287)
Research and development expenses	(4,776)	(2,600)
General administration expenses	(39,350)	(41,902)
Other operating income	7,045	4,867
of which from currency translation	*[27]*	*[22]*
Other operating expenses	(23,634)	(42,786)
of which from currency translation	*[(13)]*	*[(27)]*
Operating result	**(37,230)**	**(33,781)**
Income from profit and loss transfer agreements with affiliated companies	99	320
Expenses from profit and loss transfer agreements with affiliated companies	(34,450)	(9,931)
Write-downs of investments in affiliated companies	(5,881)	0
Income/expenses from investments in affiliated companies	**(40,232)**	**(9,611)**
Income from securities and loans included in investments	19	12
Other interest and similar income	1,848	1,138
of which from affiliated companies	*[1,176]*	*[343]*
Interest and similar expenses	(11,003)	(17,073)
of which to affiliated companies	*[(2)]*	*[0]*
of which interest portion of interest-bearing provisions and liabilities	*[(10,875)]*	*[0]*
Net interest expense	**(9,136)**	**(15,923)**
Miscellaneous financial income	5,463	5,538
of which from currency translation	*[5,463]*	*[5,538]*
Miscellaneous financial expenses	(22,338)	(21,373)
of which to affiliated companies	*[(16,787)]*	*[(14,821)]*
of which for currency translation	*[(5,653)]*	*[(6,535)]*
Miscellaneous financial income/expenses	**(16,875)**	**(15,835)**
Financial result	**(66,243)**	**(41,369)**
Income before income taxes	**(103,473)**	**(75,150)**
Extraordinary income	0	1,332
Profits transferred/losses assumed under a profit and loss transfer agreement	103,473	73,818
Distributable profit/loss	**0**	**0**

Balance Sheet of Bayer Business Services GmbH, Leverkusen, as of December 31, 2013

	Dec. 31, 2012	Dec. 31, 2013
	€ thousand	€ thousand
ASSETS		
Noncurrent assets		
Intangible assets	11,044	11,038
Property, plant and equipment	23,968	26,151
Investments	18,326	18,161
	53,338	**55,350**
Current assets		
Inventories		
Work in progress	2,134	885
	2,134	**885**
Receivables and other assets		
Trade accounts receivable	102,563	102,726
of which from affiliated companies	*[97,790]*	*[100,609]*
of which from the parent company	*[4,314]*	*[6,544]*
Receivables from affiliated companies	355,540	347,605
of which from the parent company	*[350,745]*	*[346,596]*
Other assets	4,353	8,321
	462,456	**458,652**
Cash on hand, checks and balances with the Bundesbank and other banks	**542**	**70**
	465,132	**459,607**
Deferred charges	**8,227**	**13,879**
Surplus from offsetting	**17,010**	**19,822**
	543,707	**548,658**

Balance Sheet of Bayer Business Services GmbH, Leverkusen, as of December 31, 2013

	Dec. 31, 2012	Dec. 31, 2013
	€ thousand	€ thousand
EQUITY AND LIABILITIES		
Equity		
Capital stock	6,000	6,000
Capital reserve	80,712	80,712
Distributable profit / loss	0	0
	86,712	**86,712**
Provisions		
Provisions for pensions*	196,115	218,259
Other provisions*	109,333	116,791
	305,448	**335,050**
Other liabilities		
Trade accounts payable	101,847	101,484
of which to affiliated companies	*[16,889]*	*[33,241]*
of which to parent companies	*[607]*	*[0]*
of which due in < 1 year	*[97,146]*	*[100,013]*
of which due in between 1 and 5 years	*[4,700]*	*[1,472]*
Payables to affiliated companies	35,323	11,144
of which to parent companies	*[592]*	*[0]*
of which due in < 1 year	*[35,323]*	*[11,144]*
Miscellaneous liabilities	13,749	13,825
of which for taxes	*[6,216]*	*[8,118]*
of which for social security	*[5,756]*	*[5,500]*
of which due in < 1 year	*[12,553]*	*[12,732]*
of which due in between 1 and 5 years	*[655]*	*[666]*
of which due in > 5 years	*[542]*	*[427]*
	150,919	**126,453**
Deferred income	**628**	**443**
	543,707	**548,658**

* 2012 figures restated: reclassification of provisions for early retirement (€10,596 thousand) and annual supplementary bonus for non-managerial employees (€1,345 thousand) from provisions for pensions and other post-employment benefits to other provisions.

Leverkusen, February 7, 2014

Bayer Business Services GmbH
The Executive Board

Daniel Hartert

Wilhelm Oehlschläger

BAYER BUSINESS SERVICES GMBH

Changes in Noncurrent Assets of Bayer Business Services GmbH, Leverkusen, in the period from January 1 to December 31, 2013

	Cost of acquisition or construction					
	As of Jan. 1, 2013	Additions	Write-backs	Retirements	Transfers/ reclassifi-cation	As of Dec. 31, 2013
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Concessions, industrial property rights, similar rights and assets and licenses thereunder	56,811	6,855	0	510	105	63,261
Advance payments and assets under construction	105	47	0	0	(105)	47
Intangible assets	**56,916**	**6,902**	**0**	**510**	**0**	**63,308**
Land and buildings, including buildings on leased land*	4,400	60	0	0	0	4,460
Machinery and technical equipment*	24,121	4	0	1	0	24,124
Furniture, fixtures and other equipment	97,987	12,130	0	19,222	462	91,357
Advance payments and assets under construction	464	529	0	0	(462)	531
Property, plant and equipment	**126,972**	**12,723**	**0**	**19,223**	**0**	**120,472**
Investments in affiliated companies	37,738	0	0	103	0	37,635
Other loans	359	7	0	172	0	194
Investments	**38,097**	**7**	**0**	**275**	**0**	**37,829**
Noncurrent assets	**221,985**	**19,632**	**0**	**20,008**	**0**	**221,609**

	Accumulated depreciation/amortization/write-downs					Net carrying amounts	
	As of Jan. 1, 2013	Additions	Write-backs	Retirements	As of Dec. 31, 2013	As of Dec. 31, 2013	As of Dec. 31, 2012
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Concessions, industrial property rights, similar rights and assets and licenses thereunder	45,872	6,883	0	485	52,270	10,991	10,939
Advance payments and assets under construction	0	0	0	0	0	47	105
Intangible assets	**45,872**	**6,883**	**0**	**485**	**52,270**	**11,038**	**11,044**
Land and buildings, including buildings on leased land*	3,469	139	0	0	3,608	852	931
Machinery and technical equipment*	20,661	701	0	1	21,362	2,763	3,461
Furniture, fixtures and other equipment	78,875	9,536	0	19,060	69,351	22,006	19,112
Advance payments and assets under construction	0	0	0	0	0	531	464
Property, plant and equipment	**103,004**	**10,377**	**0**	**19,061**	**94,321**	**26,151**	**23,968**
Investments in affiliated companies	19,771	0	0	103	19,668	17,967	17,967
Other loans	0	0	0	0	0	194	359
Investments	**19,771**	**0**	**0**	**103**	**19,668**	**18,161**	**18,326**
Noncurrent assets	**168,647**	**17,260**	**0**	**19,649**	**166,259**	**55,350**	**53,338**

* €1,392 thousand in cost of acquisition or construction and €648 thousand in write-downs were reclassified of buildings to machinery and technical equipment as of January 1.

CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

in the form of an

Amendment Agreement to the Control and Profit and Loss Transfer Agreement dated November 19, 2002,

between

Bayer Aktiengesellschaft, Leverkusen, (“BAYER”)

and

Bayer Technology Services GmbH, Leverkusen, (“BTS”)

The Parties entered into a Control and Profit and Loss Transfer Agreement on November 19, 2002. To reflect amendments to statutory provisions, the Parties have amended the Agreement in its entirety as follows:

§ 1. Management

(1) BTS places the management of its company under the control of BAYER. BAYER is thus entitled to issue instructions to the Management of BTS with regard to the management of the company. The provisions of section 308 of the AktG, as amended, shall apply, with the necessary modifications.

(2) BAYER shall only exercise its right to issue instructions through the Board of Management. Any instruction must be issued in writing.

§ 2. Profit Transfer

(1) BTS agrees to transfer its entire profit to BAYER. The provisions of section 301 of the AktG, as amended, shall apply, with the necessary modifications.

(2) BTS may transfer amounts from its net income for the year to other retained earnings (section 272(3) of the German Commercial Code (HGB)) with BAYER’s consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the term of the Agreement in accordance with section 272(3) of the HGB shall be released if required by BAYER.

(3) The transfer of amounts resulting from the release of other retained earnings in accordance with section 272(3) of the HGB created before the commencement of this Agreement or from capital reserves is excluded.

§ 3. Absorption of Losses

The provisions of section 302 of the AktG, as amended, shall apply, with the necessary modifications.

§ 4. Effective Date and Duration

(1) This Agreement requires the approval of the Annual Stockholders' Meeting of BAYER and the Annual Members' Meeting of BTS.

(2) The amended Agreement shall take effect upon entry in the commercial register at the domicile of BTS and shall apply retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. The right to issue instructions can only be exercised after the Agreement has been entered as amended in the commercial register at the domicile of BTS. The original version of the Agreement shall apply for the period prior to the effective date of the amended Agreement.

(3) The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the amended Agreement takes effect. If the Agreement is not terminated, it shall be automatically extended by one fiscal year in each case, subject to the same notice period.

(4) The right to terminate the Agreement for good cause without compliance with any notice period is not affected. In particular, BAYER is entitled to terminate the Agreement for good cause if it no longer holds a majority interest in BTS, another investor has acquired a stake in BTS, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. Good cause for extraordinary termination shall also extend, in particular, to the merger, split-off, or liquidation of one of the Parties.

§ 5. Other Provisions

The ineffectiveness or unenforceability of one or more provisions of this Agreement shall not affect the validity of the remaining provisions.

Leverkusen, February 17, 2014

Bayer Aktiengesellschaft

Leverkusen, February 17, 2014

Bayer Technology Services GmbH

JOINT REPORT

by the Board of Management of Bayer Aktiengesellschaft, Leverkusen, ("BAYER")

and the

Management of Bayer Technology Services GmbH, Leverkusen, ("BTS")

on the amendment of the Control and Profit and Loss Transfer Agreement dated February 17, 2014

in accordance with section 293a of the German Stock Corporation Act (AktG)

In order to inform their stockholders and members and to prepare the resolution for the Annual Stockholders' Meeting of BAYER and the Annual Members' Meeting of BTS, the Board of Management of BAYER and the Management of BTS are submitting the following joint report on the Amendment Agreement to the Control and Profit and Loss Transfer Agreement dated November 19, 2002, between BAYER and BTS:

1. AMENDMENT AGREEMENT; EFFECTIVE DATE

The Amendment Agreement to the Control and Profit and Loss Transfer Agreement dated November 19, 2002, was entered into on February 17, 2014. It will be submitted for approval in accordance with sections 293 and 295 of the AktG to BAYER's Annual Stockholders' Meeting on April 29, 2014. It is planned that BTS's Annual Members' Meeting will approve the conclusion of the Amendment Agreement by way of a notarized resolution dated February 27, 2014. The Amendment Agreement must also be entered in the commercial register at the domicile of BTS in order to take effect.

2. PARTIES TO THE AGREEMENT

BAYER is a German stock corporation (Aktiengesellschaft) entered in the commercial register of the Cologne Local Court (Amtsgericht) under the number HRB 48248 with its registered office in Leverkusen. BAYER's fiscal year is the calendar year. According to the company's Articles of Incorporation, the purpose of the company is manufacturing, marketing and other industrial activities, or the provision of services, in the fields of health care, agriculture, polymers and chemicals. BAYER is the parent company of the Bayer Group. The Bayer Group conducts its operations in three subgroups: Bayer HealthCare, Bayer Crop-Science and Bayer MaterialScience. These are supported by three service companies.

BAYER's total assets in 2011 and 2012 were approximately €38 billion and approximately €36 billion, respectively, and its distributable profit was €1,364 billion in 2011 and €1,571 billion in 2012. In 2013, total assets were approximately €38 billion and distributable profit was €1,764 million.

BTS is a German limited liability company (Gesellschaft mit beschränkter Haftung) entered in the commercial register of the Cologne Local Court under the number HRB 49896. Its fiscal year is the calendar year. The company's registered office is in Leverkusen. BTS's capital stock amounts to €6 million. The sole member is BAYER. The purpose of the company is to provide leading technologies and solutions along the entire life cycle of products, processes and plant in the chemical/pharmaceutical industry, to develop and supply innovations for all Bayer subgroups, as well as to maintain and develop leading expertise and supplying talented staff for the Bayer Group.

BTS's total assets amounted to approximately €343 million in fiscal year 2011, approximately €353 million in 2012 and approximately €376 million in 2013. The net loss before loss absorption by Bayer AG amounted to €8.0 million in 2011 and €59.0 million in 2012. BTS generated a loss of €32.8 million in 2013.

3. EXPLANATION OF THE AMENDMENT AGREEMENT

1. Management

In accordance with § 1 of the Control and Profit and Loss Transfer Agreement, as amended by the Amendment Agreement, BTS places the management of its company under the control of BAYER. BAYER is entitled to issue instructions to the Management of BTS with regard to the management of the company. To the extent that no instructions are issued, the Management of BTS manages the company at its own responsibility.

The right to issue instructions is determined in accordance with section 308 of the AktG. BTS is required to follow legitimate instructions. Instructions can also be issued that are detrimental to BTS if they serve the interests of BAYER and companies that are members of the Bayer Group. The Management is not required to comply with any prohibited instructions, for example, instructions that would violate mandatory statutory provisions if they were to be followed. Furthermore, no instruction to amend, maintain, or terminate the Agreement may be issued.

In this respect, there are no changes to the content of the original version of the Agreement.

2. Profit Transfer

In accordance with § 2 of the Agreement, as amended by the Amendment Agreement, BTS agrees to transfer its entire profit to BAYER. Subject to the creation or release of reserves, net income for the year before transfer of profit, reduced by any loss carried forward from the previous year and by the amount subject to a restriction on distribution in accordance with section 268(8) of the HGB, must be transferred. BTS may transfer amounts from net income for the year to other retained earnings with BAYER's consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the course of the Agreement must be released if required by BAYER and must be used to offset the net loss for any year or transferred as profit. These provisions correspond to the restrictions on transferring profit set out in section 301 of the AktG that apply in this case, with the necessary modifications. Section 301 of the AktG, as amended, also applies, with the necessary modifications.

In this respect, there are no material changes from the corresponding provision of the original version of the Agreement. The amendments essentially relate solely to the provisions of section 301 of the AktG, whose application with the necessary modifications had already been prescribed in the original Agreement. There is also a dynamic reference to section 301 of the AktG ("as amended").

3. Absorption of Losses

In accordance with § 3 of the Agreement, as amended by the Amendment Agreement, BAYER is required to absorb the losses in accordance with section 302 of the AktG, as amended. Pursuant to section 302 of the AktG, BAYER is obligated to compensate any net loss for the year arising during the term of the Agreement to the extent that it is not offset by withdrawing amounts from other retained earnings that were transferred to them during the course of the Agreement. By way of application of section 302(3) of the AktG, with the necessary modifications, BTS may not waive or settle the claim to have losses offset until three years after the date on which entry of the termination of the Agreement in the commercial register is deemed to have been announced. In accordance with section 302(4) of the AktG, the statute of limitation for any claims by BTS is ten years starting from the day on which notice of the entry of the termination of the Agreement in the commercial register has been announced pursuant to section 10 of the HGB.

The provision on the absorption of losses also remains essentially unchanged. The only material change is the dynamic reference to section 302 of the AktG ("as amended").

4. Effective Date and Duration

The Agreement, as amended by the Amendment Agreement, takes effect upon entry in the commercial register at the domicile of BTS and applies retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. For the period prior to the effective date of the Agreement, as amended by the Amendment Agreement, the original Agreement dated November 19, 2002, applies. This explains the order of the phased applicability of the different versions.

The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the Agreement, as amended by the Amendment Agreement, takes effect. A minimum term of five years from the effective date of the Agreement, as amended, is again agreed in this respect.

If the Agreement is not terminated, it will be automatically extended by one fiscal year in each case, subject to the same notice period. The existing requirement continues to apply in this respect.

In addition, the Agreement can be terminated for good cause without compliance with any notice period. This applies especially to BAYER in the event that BAYER no longer holds a majority interest in BTS, another investor has acquired a stake in BTS, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. In accordance with R 60(6) sentence 2 of the KStR of 2004, good cause for extraordinary termination also extends to the sale or contribution of the tax group subsidiary by the tax group parent as well as to the merger, split-off, or liquidation of the tax group parent or the tax group subsidiary. The latter case is explicitly defined in the Agreement as good cause. The reasons for termination for good cause are thus specified in greater detail than in § 3 of the original Agreement. The only new feature is the possibility to terminate the Agreement in the event of the merger, split-off, or liquidation of one of the Parties. This is advisable as set out in administrative order R 60(6) sentence 2 of the KStR of 2004.

5. Miscellaneous

The amended Agreement, like the original Agreement, does not provide for any compensation payments or any settlement for noncontrolling interest shareholders because BAYER is the sole member of BTS.

Since BAYER holds all of the shares of BTS, no examination of the Amendment Agreement by an expert auditor (contract auditor) is required under section 293b(1) of the AktG, with the necessary modifications, and no report on any audit must be prepared under section 293e of the AktG.

4. ECONOMIC IMPORTANCE AND PURPOSE OF THE AMENDMENT AGREEMENT

The Amendment Agreement primarily serves the purpose of maintaining the consolidated tax group between BAYER and BTS. With regard to the obligation to absorb losses in particular, a dynamic reference to section 302 of the AktG must be made because such a reference requires the application section 17 sentence 2 no. 2 of the German Corporate Income Tax Act (KStG) since its most recent amendment. In addition, section 14(1) sentence 1 no. 3 of the KStG sets out that the Profit and Loss Transfer Agreement must be concluded for a minimum of five years. While section 34(10b) sentence 4 of the KStG establishes that amendment agreements relating to the dynamic reference to section 302 of the AktG are not considered new agreements for the application of section 14(1) sentence 1 no. 3 of the KStG, based on the wording of the provision this only applies to agreements that up to now did not include a corresponding reference to section 302 of the AktG. Whether this also applies to agreements that, as is the case here, contained such a reference and are now being updated in line with the current legal situation is unclear. To avoid these interpretation difficulties and the associated possible disallowance of the consolidated tax group, it is agreed that notice of termination may not be given prior to the expiration of five years after the entry into force of the amended Agreement. This is because it is assumed that the amended Agreement will have a term of at least five years.

The consolidated tax group for corporate income tax and trade tax purposes thus maintained results in consolidated taxation of BTS (the tax group subsidiary) and BAYER (the tax group parent). This enables profits and losses to be offset against each other for tax purposes. Only BAYER as the tax group parent is thus liable for corporate income tax and trade tax. The Amendment Agreement therefore still enables the tax-optimized recognition of the profits and losses of BTS in the context of a consolidated tax group for corporate income tax and trade tax purposes.

Apart from this, no material changes to the content have been made; most of the modifications merely entail editorial changes. The changes therefore do not have any financial or operating effects for the companies involved.

On the whole, the Agreement, as amended by the Amendment Agreement, contains the standard provisions agreed when a group of companies is established.

5. ALTERNATIVES TO ENTERING INTO THE CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

There was no economically reasonable alternative to entering into the Amendment Agreement between BAYER and BTS that could have achieved the objectives described above in the same manner or better. In particular, entering into other types of intercompany agreement within the meaning of section 292 of the AktG (agreement to lease a business, agreement to transfer a business, profit pooling, or partial profit transfer agreement) or a management agreement cannot maintain the consolidated taxation of BAYER and BTS.

Leverkusen, February 17, 2014

Bayer Aktiengesellschaft
The Board of Management

Dr. Dekkers

Baumann

König

Malik

Dr. Plischke

Leverkusen, February 17, 2014

Bayer Technology Services GmbH
Managing Director

Dr. van Meirvenne

Income Statement of Bayer Technology Services GmbH, Leverkusen, for the period from January 1 to December 31, 2011

	2010	2011
	€ thousand	€ thousand
Sales	**241,078**	**285,884**
Cost of goods sold	(192,665)	(225,528)
Gross profit	**48,413**	**60,356**
Selling expenses	(13,957)	(12,766)
Research expenses	(23,575)	(24,902
General administration expenses	(23,361)	(25,632)
Other operating income	9,471	13,734
of which from currency translation	*[1,458]*	*[1,820]*
Other operating expenses	(3,804)	(4,451)
of which from currency translation	*[(2,179)]*	*[(2,802)]*
Operating result	**(6,813)**	**6,339**
Income from profit and loss transfer agreements with affiliated cos.	152	169
Income from other securities and loans included in investments	22	18
Other interest and similar income	1,203	2,764
of which from affiliated companies	*[1,195]*	*[2,671]*
Interest and similar expenses	(11,826)[1)]	(10,047)
of which to affiliated companies	*[(1)]*	*[–]*
of which interest portion of interest-bearing provisions and liabilities	*[(11,825)]*	*[10,046]*
Miscellaneous financial expenses	(9,611)[2)]	(7,859)
of which to affiliated companies	*[(9,612)]*	*[(7,856)]*
of which from currency translation	*[(1,490)]*	*[(987)]*
Miscellaneous financial income	1,717[3)]	811
of which from affiliated companies	*[1,717]*	*[811]*
of which from currency translation	*[1,717]*	*[811]*
Financial result	**(18,343)**	**(14,144)**
Income before income taxes	**(25,155)**	**(7,805)**
Income taxes	(161)	(195)
Expenses for profit transfer/income from the assumption of losses	25,317	(6,449)
Net income/loss	**0**	**(14,449)**
Withdrawal from retained earnings	0	(14,449)
Distributable profit	**0**	**0**

1) To improve comparability, the prior-year figure was adjusted by minus EUR 11,726 thousand.
2) To improve comparability, the prior-year figure was adjusted by EUR 10,236 thousand.
3) To improve comparability, the prior-year figure was adjusted by EUR 1,490 thousand.

Leverkusen, March 1, 2012

Bayer Technology Services GmbH
Managing Director

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Dr. Dirk van Meirvenne

Balance Sheet of Bayer Technology Services GmbH, Leverkusen, as of December 31, 2011

	Dec. 31, 2010	Dec. 31, 2011
	€ thousand	€ thousand
ASSETS		
Noncurrent assets		
Intangible assets	11,380	9,306
Property, plant and equipment	10,764	13,194
Investments	9,550	10,070
	31,694	**32,570**
Current assets		
Inventories		
Supplies and operating materials	1,791	2,578
Work in process	45,036	41,954
Advance payments	668	370
	47,495	**44,902**
Receivables and other assets		
Trade accounts receivable	42,249	44,894
of which from affiliated companies	*[31,849]*	*[34,375]*
Receivables from affiliated companies	235,882	213,139
of which from the parent company	*[235,213]*	*[212,938]*
Other assets	3,221	2,599
	281,352	**260,632**
Bank deposits	8	0
	328,855	**305,534**
Deferred charges	**2,005**	**1,813**
Surplus from offsetting	**225**	**2,821**
	362,779	**342,738**
Fiduciary assets	1,711	617

Balance Sheet of Bayer Technology Services GmbH, Leverkusen, as of December 31, 2011

	Dec. 31, 2010	Dec. 31, 2011
	€ thousand	€ thousand
EQUITY AND LIABILITIES		
Equity		
Capital stock	6,000	6,000
Capital reserves Retained earnings	54,025	54,025
Other retained earnings	14,449	0
Loss carried forward	(1)	(1)
	74,473	**60,024**
Provisions		
Provisions for pensions and other post-employment benefits	160,788	150,075
Provisions for taxes	191	203
Other provisions	42,780	46,568
	203,759	**196,846**
Other liabilities		
Advance payments received	52,861	45,228
of which from affiliated companies	*[30,766]*	*[27,596]*
of which due within one year	*[52,861]*	*[45,228]*
Trade accounts payable	18,936	19,481
of which to affiliated companies	*[4,501]*	*[4,080]*
of which due within one year	*[18,936]*	*[19,481]*
Payables to affiliated companies	500	8,653
of which to the parent company	*[500]*	*[8,652]*
of which due within one year	*[500]*	*[8,653]*
Miscellaneous liabilities	11,151	10,817
of which for taxes	*[2,940]*	*[3,282]*
of which for social security	*[3,751]*	*[3,257]*
of which due within one year	*[7,999]*	*[9,686]*
	83,448	**84,179**
Deferred income	**1,099**	**1,689**
	362,779	**342,738**
Liabilities associated with fiduciary assets	1,711	617

Changes in Noncurrent Assets of Bayer Technology Services GmbH, Leverkusen, in the period from January 1 to December 31, 2011

	Cost of acquisition or construction				
	As of: Jan. 1, 2011	Additions	Retire-ments	Trans-fers/reclas-sifications	As of: Dec. 31, 2011
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Concessions, industrial property rights, similar rights and assets, and licenses thereunder	**3,700**	243	1,235	258	2,967
Goodwill	10,879	102	–	–	10,982
Advance payments	259	10	–	(258)	12
Intangible assets	**14,838**	**356**	**1,235**	**–**	**13,960**
Land and buildings	85	–	–	–	85
Machinery and technical equipment	24,979	4,250	890	1,048	29,387
Furniture, fixtures and other equipment	7,198	1,301	1,147	52	7,404
Advance payments and assets under construction	2,051	1,146	–	(1,100)	2,097
Property, plant and equipment	**34,313**	**6,697**	**2,036**	**–**	**38,974**
Investments in affiliated companies	8,156	—	–	–	8,156
Other investments	12	–	–	–	12
Other loans	1,382	600	80	–	1,902
Investments	**9,550**	**600**	**80**	**–**	**10,070**
Noncurrent assets	**58,701**	**7,653**	**3,350**	**–**	**63,004**

Changes in Noncurrent Assets of Bayer Technology Services GmbH, Leverkusen, in the period from January 1 to December 31, 2011

	Accumulated depreciation/amortization/write-downs						Carrying amount	
	As of: Jan. 1, 2011	Additions	Write-backs	Retire-ments	Transfers	As of: Dec. 31, 2011	As of: Dec. 31, 2010	As of: Dec. 31, 2011
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Concessions, industrial property rights, similar rights and assets, and licenses thereunder	2,914	425	–	1,234	–	2,105	786	861
Goodwill	544	2,021	–	16	–	2,549	10,335	8,433
Advance payments	–	–	–	–	–	–	259	12
Intangible assets	**3,458**	**2,446**	**–**	**1,251**	**–**	**4,654**	**11,380**	**9,306**
Land and buildings	36	8	–	–	–	44	49	41
Machinery and technical equipment	18,190	3,297	–	871	–	20,615	6,789	8,771
Furniture, fixtures and other equipment	5,323	938	–	1,140	–	5,120	1,875	2,.284
Advance payments and assets under construction	–	–	–	–	–	–	2,051	2,097
Property, plant and equipment	**23,549**	**4,242**	**–**	**2,011**	**–**	**25,780**	**10,764**	**13,194**
Investments in affiliated companies	–	–	–	–	–	–	8,156	8,156
Other investments	–	–	–	–	–	–	12	12
Other loans	–	–	–	–	–	–	1,382	1,902
Investments	**–**	**–**	**–**	**–**	**–**	**–**	**9,550**	**10,070**
Noncurrent assets	**27,007**	**6,688**	**–**	**3,262**	**–**	**30,434**	**31,694**	**32,570**

Income Statement of Bayer Technology Services GmbH, Leverkusen, for the period from January 1 to December 31, 2012

	2011	2012
	€ thousand	€ thousand
Sales	**285,884**	**266,046**
Cost of goods sold	(225,528)	(250,525)
Gross profit	**60,356**	**15,522**
Selling expenses	(12,766)	(22,325)
Research expenses	(24,902)	(23,905)
General administration expenses	(25,632)	(21,427)
Other operating income	13,734	9,955
Other operating expenses	(4,451)	(3,578)
Operating result	**6,339**	**(45,758)**
Income from profit and loss transfer agreements with affiliated cos.	169	0
Expenses from profit and loss transfer agreements with affiliated cos.	0	(228)
Income from other securities and loans	18	13
Income from silent participations	0	1,452
Other interest and similar income	2,764	1,115
of which from affiliated companies	*[2,671]*	*[810]*
Interest and similar expenses	(10,047)	(5,235)
of which to affiliated companies	*[0]*	*[(2)]*
of which interest portion of interest-bearing provisions and liabilities	*[(10,046)]*	*[(5,233)]*
	(7,096)	**(2,883)**
Miscellaneous financial income	811	1,474
of which from affiliated companies	*[811]*	*[1,474]*
of which from currency translation	*[811]*	*[1,474]*
Miscellaneous financial expenses	(7,859)	(11,779)
of which to affiliated companies	*[(7,856)]*	*[(11,779)]*
of which from currency translation	*[(987)]*	*[(1,287)]*
	(7,048)	**(10,305)**
Financial result	**(14,144)**	**(13,188)**
Income before income taxes	**(7,805)**	**(58,946)**
Income taxes	(195)	(77)
Income from assumption of losses	(6,449)	59,023
Net income/loss	**(14,449)**	**0**
Withdrawals from retained earnings	(1)	(1)
Loss carried forward	14,449	0
Distributable profit	**(1)**	**(1)**

Leverkusen, March 18, 2013

Bayer Technology Services GmbH
Managing Director

Dr. Dirk van Meirvenne

Balance Sheet of Bayer Technology Services GmbH, Leverkusen, as of December 31, 2012

	Dec. 31, 2011	Dec. 31, 2012
	€ thousand	€ thousand
ASSETS		
Noncurrent assets		
Intangible assets	9,306	6,947
Property, plant and equipment	13,194	12,992
Investments	10,070	10,661
	32,570	**30,601**
Current assets		
Inventories		
Supplies and operating materials	2,578	2,130
Work in process	41,954	41,824
Advance payments	370	84
	44,902	**44,038**
Receivables and other assets		
Trade accounts receivable	44,894	45,330
of which from affiliated companies	*[34,375]*	*[35,092]*
of which from the parent company	*[4]*	*[11]*
Receivables from affiliated companies	213,139	224,086
of which from the parent company	*[212,938]*	*[221,250]*
Other assets	2,599	2,459
	260,632	**271,875**
Bank balances	0	168
	305,534	**316,081**
Deferred charges	**1,813**	**1,343**
Surplus from offsetting	**2,821**	**5,310**
	342,738	**353,335**
Fiduciary assets	**617**	**639**

Pursuant to Section 251 German Commercial Code (HGB), there were guarantees of €35 thousand on the reporting date

Balance Sheet of Bayer Technology Services GmbH, Leverkusen, as of December 31, 2012

	Dec. 31, 2011	Dec. 31, 2012
	€ thousand	€ thousand
EQUITY AND LIABILITIES		
Equity		
Capital stock	6,000	6,000
Capital reserves	54,025	54,025
Distributable profit	(1)	(1)
	60,024	**60,024**
Provisions		
Provisions for pensions and other post-employment benefits	150,075	160,429
Provisions for taxes	203	223
Other provisions	46,568	51,378
	196,846	**212,030**
Other liabilities		
Advance payments received	45,228	53,121
of which from affiliated companies	*[27,596]*	*[41,865]*
of which due in < 1 year	*[45,228]*	*[53,121]*
Trade accounts payable	19,481	18,142
of which to affiliated companies	*[4,080]*	*[5,491]*
of which to investments	*[0]*	*[291]*
of which to the parent company	*[1,148]*	*[1,455]*
of which due in < 1 year	*[19,481]*	*[18,442]*
Payables to affiliated companies	8,653	833
of which to the parent company	*[8,652]*	*[537]*
of which due in < 1 year	*[8,653]*	*[833]*
Miscellaneous liabilities	10,817	7,975
of which for payroll taxes	*[3,282]*	*[3,306]*
of which for social security	*[3,257]*	*[3,421]*
of which due in < 1 year	*[9,724]*	*[7,135]*
of which due in between 1 and 5 years	*[642]*	*[459]*
of which due in > 5 years	*[460]*	*[380]*
	84,179	**80,071**
Deferred income	**1,689**	**1,210**
	342,738	**353,335**
Fiduciary assets	**617**	**639**

Changes in Noncurrent Assets of Bayer Technology Services GmbH, Leverkusen, in the period from January 1 to December 31, 2012

	Cost of acquisition or construction				
	As of: Jan. 1, 2012	Additions	Retire-ments	Transfers	As of: Dec. 31, 2012
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Concessions, industrial property rights, and similar rights and assets, and licenses thereunder	2,967	294	201	12	3,072
Goodwill	10,982	0	0	0	10,982
Advance payments	12	25	0	(12)	25
Intangible assets	**13,960**	**319**	**201**	**0**	**14,079**
Land and buildings	85	0	0	0	85
Machinery and technical equipment	29,387	1,534	416	1,653	32,158
Furniture, fixtures and other equipment	7,404	530	160	239	8,013
Advance payments and assets under construction	2,097	2,015	0	(1,892)	2,220
Property, plant and equipment	**38,974**	**4,079**	**576**	**0**	**42,476**
Investments in affiliated companies	8,156	0	0	0	8,156
Silent participations	0	100	0	0	100
Other investments	12	0	0	0	12
Other loans	1,902	550	59	0	2,393
Investments	**10,070**	**650**	**59**	**0**	**10,661**
Noncurrent assets	**63,004**	**5,049**	**836**	**0**	**67,217**

	Accumulated depreciation/amortization/write-downs					Net carrying amounts	
	As of: Jan. 1, 2012	Additions	Write-downs	Retire-ments	As of: Dec. 31, 2012	As of: Dec. 31, 2011	As of: Dec. 31, 2012
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Concessions, industrial property rights, and similar rights and assets, and licenses thereunder	2,105	426	0	144	2,387	861	685
Goodwill	2,549	2,196	0	0	4,745	8,433	6,237
Advance payments	0	0	0	0	0	12	25
Intangible assets	**4,654**	**2,622**	**0**	**144**	**7,132**	**9,306**	**6,947**
Land and buildings	44	7	0	0	51	41	34
Machinery and technical equipment	20,615	3,128	0	411	23,332	8,771	8,826
Furniture, fixtures and other equipment	5,120	1,123	0	142	6,101	2,284	1,912
Advance payments and assets under construction	0	0	0	0	0	2,097	2,220
Property, plant and equipment	**25,780**	**4,258**	**0**	**553**	**29,484**	**13,194**	**12,992**
Investments in affiliated companies	0	0	0	0	0	8,156	8,156
Silent participations	0	0	0	0	0	0	100
Other investments	0	0	0	0	0	12	12
Other loans	0	0	0	0	0	1,902	2,393
Investments	**0**	**0**	**0**	**0**	**0**	**10,070**	**10,661**
Noncurrent assets	**30,434**	**6,880**	**0**	**697**	**36,616**	**32,570**	**30,601**

Income Statement of Bayer Technology Services GmbH, Leverkusen, for the period from January 1 to December 31, 2013

	2012	2013
	€ thousand	€ thousand
Sales	**266,046**	**297,508**
Cost of goods sold	(250,525)	(251,266)
Gross profit	**15,522**	**46,242**
Selling expenses	(22,325)	(17,794)
R&D expenses	(23,905)	(23,086)
General administration expenses	(21,427)	(21,644)
Other operating income	9,955	8,645
of which from currency translation	*[2,049]*	*[1,019]*
Other operating expenses	(3,578)	(3,562)
of which from currency translation	*[(1,807)]*	*[(771)]*
Operating result	**(45,758)**	**(11,199)**
Income from silent participations	1,452	2,292
of which from affiliated companies	*[1,452]*	*[2,292]*
Expenses from profit and loss transfer agreements with affiliated companies	(228)	(91)
Income from investments in affiliated companies	**1,224**	**2,201**
Income from other securities and loans included in investments	13	10
Other interest and similar income	1,115	736
of which from affiliated companies	*[810]*	*[243]*
Interest and similar expenses	(5,235)	(12,372)
of which to affiliated companies	*[(2)]*	*[0]*
of which interest portion of interest-bearing provisions and liabilities	*[(5,233)]*	*[12,357]*
Net interest income	**(4,107)**	**(11,626)**
Miscellaneous financial income	1,474	786
of which from currency translation	*[1,474]*	*[786]*
Miscellaneous financial expenses	(11,779)	(10,166)
of which from currency translation	*[(1,287)]*	*[(893)]*
Miscellaneous financial income/expenses	**(10,305)**	**(9,380)**
Financial result	**(13,188)**	**(18,805)**

Income Statement of Bayer Technology Services GmbH, Leverkusen, for the period from January 1 to December 31, 2013

	2012	2013
	€ thousand	€ thousand
Income before income taxes	**(58,946)**	**(30,004)**
Income taxes	(77)	(11)
Profit transferred/losses assumed under a profit and loss transfer agreement	59,023	30,015
Net income/loss	**0**	**0**
Profit/loss carried forward from previous year	(1)	(1)
Distributable profit/loss	**(1)**	**(1)**

Leverkusen, February 24, 2014

Bayer Technology Services GmbH
Managing Director

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Dr. Dirk van Meirvenne

Balance Sheet of Bayer Technology Services GmbH, Leverkusen, as of December 31, 2013

	Dec. 31, 2012	Dec. 31, 2013
	€ thousand	€ thousand
ASSETS		
Noncurrent assets		
Intangible assets	6,947	4,687
Property, plant and equipment	12,992	13,411
Investments	10,661	9,719
	30,601	**27,817**
Current assets		
Inventories		
Raw materials, supplies and operating materials	2,130	2,177
Work in process	41,824	44,687
Advance payments	84	5
	44,038	**46,869**
Receivables and other assets		
Trade accounts receivable	45,330	47,974
of which from affiliated companies	*[35,092]*	*[40,390]*
of which to the parent company	*[11]*	*[0]*
Receivables from affiliated companies	224,086	238,431
of which to the parent company	*[221,250]*	*[236,137]*
Other assets	2,459	3,320
	271,875	**289,725**
Cash on hand, checks and balances with the Bundesbank and other banks	**168**	**3**
	316,081	**336,597**
Deferred charges	**1,343**	**1,079**
Surplus from offsetting	**5,310**	**10,319**
	353,335	**375,812**
Fiduciary assets	**639**	**250**

Pursuant to Section 251 German Commercial Code (HGB), there were guarantees of €27 thousand on the reporting date.

Balance Sheet of Bayer Technology Services GmbH, Leverkusen, as of December 31, 2013

	Dec. 31, 2012	Dec. 31, 2013
	€ thousand	€ thousand
EQUITY AND LIABILITIES		
Equity		
Capital stock	6,000	6,000
Capital reserve	54,025	54,025
Profit/loss carried forward	(1)	(1)
	60,024	**60,024**
Provisions		
Provisions for pensions and other post-employment benefits	153,557*	165,106
Provisions for taxes	223	0
Other provisions	58,250*	59,599
	212,030	**224,705**
Other liabilities		
Advance payments received	53,121	58,610
of which from affiliated companies	*[41,865]*	*[52,257]*
of which due in < 1 year	*[53,121]*	*[58,610]*
Trade accounts payable	18,142	23,282
of which to affiliated companies	*5,491*	*5,156*
of which to other investments	*[291]*	*[214]*
of which to the parent company	*[1,455]*	*[83]*
of which due in < 1 year	*[18,142]*	*[23,282]*

	Dec. 31, 2012	Dec. 31, 2013
	€ thousand	€ thousand
Payables to affiliated companies	833	166
of which to the parent company	*[537]*	*[1]*
of which due in < 1 year	*[833]*	*[166]*
Miscellaneous liabilities	7,975	8,141
of which for taxes	*[3,306]*	*[3,573]*
of which for social security	*[3,421)*	*[3,152]*
of which due in < 1 year	*[7,135]*	*[7,381]*
of which due in between 1 and 5 years	*[459]*	*[463]*
of which due in > 5 years	*[380]*	*[297]*
	80,071	**90,199**
Deferred income	**1.210**	**884**
	353,335	**375,812**
Fiduciary assets	**639**	**250**

* 2012 figures restated

Changes in Noncurrent Assets of Bayer Technology Services GmbH, Leverkusen, in the period from January 1 to December 31, 2013

	Cost of acquisition or production				
	As of: Jan. 1, 2013	Additions	Retire-ments	Transfers, reclassi-fications	As of: Dec. 1, 2013
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Concessions, industrial property rights, similar rights and assets and licenses thereunder	3,072	298	222	25	3,173
Goodwill	10,982	0	0	0	10,982
Advance payments	25	52	0	(25)	52
Intangible assets	**14,079**	**350**	**222**	**0**	**14,207**
Land and buildings including buildings on leased land	85	64	0	14	163
Machinery and technical equipment	32,158	3,207	168	1,404	36,601
Furniture, fixtures and other equipment	8,013	959	416	83	8,639
Advance payments and assets under construction	2,220	457	0	(1,503)	1,174
Property, plant and equipment	**42,476**	**4,678**	**584**	**(2)**	**46,577**
Investments in affiliated companies	8,156	0	0	0	8,156
Silent partnerships	100	0	0	0	100
Other investments	12	0	0	0	12
Other loans	2,393	0	942	0	1,451
Investments	**10,661**	**0**	**942**	**0**	**9,719**
Noncurrent assets	**67,216**	**5,037**	**1,748**	**(2)**	**70,503**

	Accumulated depreciation/amortization/write-downs					Carrying amount	
	As of: Dec. 1, 2013	Additions	Writebacks	Retire-ments	As of: Dec. 1, 2013	As of: Dec. 1, 2013	As of: Dec. 31, 2012
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Concessions, industrial property rights, similar rights and assets and licenses thereunder	2,387	414	0	222	2,579	594	685
Goodwill	4,745	2,196	0	0	6,941	4,041	6,237
Advance payments	0	0	0	0	0	52	25
Intangible assets	**7,132**	**2,610**	**0**	**222**	**9,520**	**4,687**	**6,947**
Land and buildings including buildings on leased land	51	6	0	0	57	106	34
Machinery and technical equipment	23,332	3,271	0	159	26,444	10,157	8,826
Furniture, fixtures and other equipment	6,101	916	0	352	6,665	1,974	1,912
Advance payments and assets under construction	0	0	0	0	0	1,174	2,220
Property, plant and equipment	**29,484**	**4,193**	**0**	**511**	**33,166**	**13,411**	**12,992**
Investments in affiliated companies	0	0	0	0	0	8,156	8,156
Silent partnerships	0	0	0	0	0	100	100
Other investments	0	0	0	0	0	12	12
Other loans	0	0	0	0	0	1,451	2,393
Investments	**0**	**0**	**0**	**0**	**0**	**9,719**	**10,661**
Noncurrent assets	**36,616**	**6,803**	**0**	**733**	**42,686**	**27,817**	**30,601**

CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

in the form of an

Amendment Agreement to the Control and Profit and Loss Transfer Agreement dated July 12, 2006,

between

Bayer Aktiengesellschaft, Leverkusen, ("BAYER")

and

Bayer US IP GmbH, Leverkusen, ("US IP")

Dritte BV GmbH and BayInvest GmbH entered into a Control and Profit and Loss Transfer Agreement on July 12, 2006. Dritte BV GmbH has since been merged with BAYER and BayInvest GmbH has been renamed Bayer US IP GmbH. To reflect these changes and the amendments to statutory provisions, the Parties have amended the Agreement as follows:

§ 1. Management

(1) US IP places the management of its company under the control of BAYER. BAYER is thus entitled to issue instructions to the Management of US IP with regard to the management of the company. The provisions of section 308 of the AktG, as amended, shall apply, with the necessary modifications.

(2) BAYER shall only exercise its right to issue instructions through the Board of Management. Any instruction must be issued in writing.

§ 2. Profit Transfer

(1) US IP agrees to transfer its entire profit to BAYER. The provisions of section 301 of the AktG, as amended, shall apply, with the necessary modifications.

(2) US IP may transfer amounts from its net income for the year to other retained earnings (section 272(3) of the German Commercial Code (HGB)) with BAYER's consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the term of the Agreement in accordance with section 272(3) of the HGB shall be released if required by BAYER.

(3) The transfer of amounts resulting from the release of other retained earnings in accordance with section 272(3) of the HGB created before the commencement of this Agreement or from capital reserves is excluded.

§ 3. Absorption of Losses

The provisions of section 302 of the AktG, as amended, shall apply, with the necessary modifications.

§ 4. Effective Date and Duration

(1) This Agreement requires the approval of the Annual Stockholders' Meeting of BAYER and the Annual Members' Meeting of US IP.

(2) The amended Agreement shall take effect upon entry in the commercial register at the domicile of US IP and shall apply retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. The right to issue instructions can only be exercised after the amended Agreement has been entered as amended in the commercial register at the domicile of US IP. The original version of the Agreement shall apply for the period prior to the effective date of the Amendment Agreement.

(3) The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the amended Agreement takes effect. If the Agreement is not terminated, it shall be automatically extended by one fiscal year in each case, subject to the same notice period.

(4) The right to terminate the Agreement for good cause without compliance with any notice period is not affected. In particular, BAYER is entitled to terminate the Agreement for good cause if it no longer holds a majority interest in US IP, another investor has acquired a stake in US IP, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. Good cause for extraordinary termination shall also extend, in particular, to the merger, split-off, or liquidation of one of the Parties.

§ 5. Other Provisions

The ineffectiveness or unenforceability of one or more provisions of this Agreement shall not affect the validity of the remaining provisions.

Leverkusen, February 17, 2014

Bayer Aktiengesellschaft

Leverkusen, February 17, 2014

Bayer US IP GmbH

JOINT REPORT

by the Board of Management of Bayer Aktiengesellschaft, Leverkusen, (“BAYER”)

and the

Management of Bayer US IP GmbH, Leverkusen, (“US IP”)

on the amended Control and Profit and Loss Transfer Agreement dated February 17, 2014

in accordance with section 293a of the German Stock Corporation Act (AktG)

In order to inform their stockholders and members and to prepare the resolution for the Annual Stockholders’ Meeting of BAYER and the Annual Members’ Meeting of US IP, the Board of Management of BAYER and the Management of US IP are submitting the following joint report on the Amendment Agreement to the Control and Profit and Loss Transfer Agreement dated July 12, 2006, between BAYER and US IP:

1. AMENDMENT AGREEMENT; EFFECTIVE DATE

The Amendment Agreement to the Control and Profit and Loss Transfer Agreement dated July 12, 2006, was entered into on February 17, 2014. It will be submitted for approval in accordance with sections 293 and 295 of the AktG to BAYER’s Annual Stockholders’ Meeting on April 29, 2014. It is planned that US IP’s Annual Members’ Meeting will approve the conclusion of the Amendment Agreement by way of a notarized resolution dated February 27, 2014. The Amendment Agreement must also be entered in the commercial register at the domicile of US IP in order to take effect.

2. PARTIES TO THE AGREEMENT

BAYER is a German stock corporation (Aktiengesellschaft) entered in the commercial register of the Cologne Local Court (Amtsgericht) under the number HRB 48248 with its registered office in Leverkusen. BAYER’s fiscal year is the calendar year. According to the company’s Articles of Incorporation, the purpose of the company is manufacturing, marketing and other industrial activities, or the provision of services, in the fields of health care, agriculture, polymers and chemicals. BAYER is the parent company of the Bayer Group. The Bayer Group conducts its operations in three subgroups: Bayer HealthCare, Bayer Crop-Science and Bayer MaterialScience. These are supported by three service companies.

BAYER’s total assets in 2011 and 2012 were approximately €38 billion and approximately €36 billion, respectively, and its distributable profit was €1,364 billion in 2011 and €1,571 billion in 2012. In 2013, total assets were approximately €38 billion and distributable profit was €1,764 million.

US IP is a German limited liability company (Gesellschaft mit beschränkter Haftung) entered in the commercial register of the Cologne Local Court under the number HRB 58152. It was formerly known as BayInvest GmbH, Leverkusen. Its fiscal year is the calendar year. The company’s registered office is in Leverkusen. US IP’s capital stock amounts to €25,000. The sole member is BAYER. The purpose of the company is to manage its own assets. US IP currently receives interest income only from this activity.

US IP’s total assets in fiscal years 2010, 2011, 2012 and 2013 were €36,848, €36,975, €34,437 and €46,653, respectively. The net loss before loss absorption amounted to €13,171, €13,444, €11,126 and €24,530 in those years. In each case, this was attributable to expenses for the administration of the company.

3. EXPLANATION OF THE AMENDMENT AGREEMENT

1. Management

In accordance with § 1 of the Control and Profit and Loss Transfer Agreement, as amended by the Amendment Agreement, US IP places the management of its company under the control of BAYER. BAYER is entitled to issue instructions to the Management of US IP with regard to the management of the company. To the extent that no instructions are issued, the Management of US IP manages the company at its own responsibility.

The right to issue instructions is determined in accordance with section 308 of the AktG. US IP is required to follow legitimate instructions. Instructions can also be issued that are detrimental to US IP if they serve the interests of BAYER and companies that are members of the Bayer Group. The Management is not required to comply with any prohibited instructions, for example, instructions that would violate mandatory statutory provisions if they were to be followed. Furthermore, no instruction to amend, maintain, or terminate the Agreement may be issued.

Except for the names of the Parties concerned, there are no changes to the content of the original version of the Agreement in this respect.

2. Profit Transfer

In accordance with § 2 of the Agreement, as amended by the Amendment Agreement, US IP agrees to transfer its entire profit to BAYER. Subject to the creation or release of reserves, net income for the year before transfer of profit, reduced by any loss carried forward from the previous year and by the amount subject to a restriction on distribution in accordance with section 268(8) of the HGB, must be transferred. US IP may transfer amounts from net income for the year to other retained earnings with BAYER’s consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the course of the Agreement must be released if required by BAYER and must be used to offset the net loss for any year or transferred as profit. These provisions correspond to the restrictions on transferring profit set out in section 301 of the AktG that apply in this case, with the necessary modifications. Section 301 of the AktG, as amended, also applies, with the necessary modifications.

In this respect, there are no material changes from the corresponding provision of the original version of the Agreement. The amendments essentially relate solely to the provisions of section 301 of the AktG, whose application with the necessary modifications had already been prescribed in the original Agreement. There is also a dynamic reference to section 301 of the AktG (“as amended”).

3. Absorption of Losses

In accordance with § 3 of the Agreement, as amended by the Amendment Agreement, BAYER is required to absorb the losses in accordance with section 302 of the AktG, as amended. Pursuant to section 302 of the AktG, BAYER is obligated to compensate any net loss for the year arising during the term of the Agreement to the extent that it is not offset by withdrawing amounts from other retained earnings that were transferred to them during the course of the Agreement. By way of application of section 302(3) of the AktG, with the necessary modifications, US IP may not waive or settle the claim to have losses offset until three years after the date on which entry of the termination of the Agreement in the commercial register is deemed to have been announced. In accordance with section 302(4) of the AktG, the statute of limitation for any claims by US IP is ten years starting from the day on which notice of the entry of the termination of the Agreement in the commercial register has been announced pursuant to section 10 of the HGB.

The provision on the absorption of losses also remains essentially unchanged. The only material change is the reference to section 302 of the AktG ("as amended").

4. Effective Date and Duration

The Agreement, as amended by the Amendment Agreement, takes effect upon entry in the commercial register at the domicile of US IP and applies retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. For the period prior to the effective date of the Agreement, as amended by the Amendment Agreement, the original Agreement dated July 12, 2006, applies. This explains the order of the phased applicability of the different versions.

The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the Agreement, as amended by the Amendment Agreement, takes effect. A minimum term of five years from the effective date of the Agreement, as amended, is again agreed in this respect.

If the Agreement is not terminated, it will be automatically extended by one fiscal year in each case, subject to the same notice period. The existing requirement continues to apply in this respect.

In addition, the Agreement can be terminated for good cause without compliance with any notice period. This applies especially to BAYER in the event that BAYER no longer holds a majority interest in US IP, another investor has acquired a stake in US IP, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. In accordance with R 60(6) sentence 2 of the KStR of 2004, good cause for extraordinary termination also extends to the sale or contribution of the tax group subsidiary by the tax group parent as well as to the merger, split-off, or liquidation of the tax group parent or the tax group subsidiary. The latter case is explicitly defined in the Agreement as good cause. The reasons for termination for good cause are thus specified in greater detail than in § 3 of the original Agreement. The only new feature is the possibility to terminate the Agreement in the event of the merger, split-off, or liquidation of one of the Parties. This is advisable as set out in administrative order R 60(6) sentence 2 of the KStR of 2004.

5. Miscellaneous

The amended Agreement, like the original Agreement, does not provide for any compensation payments or any settlement for noncontrolling interest shareholders because BAYER is the sole member of US IP.

Since BAYER holds all of the shares of US IP, no examination of the Amendment Agreement by an expert auditor (contract auditor) is required under section 293b(1) of the AktG, with the necessary modifications, and no report on any audit must be prepared under section 293e of the AktG.

4. ECONOMIC IMPORTANCE AND PURPOSE OF THE AMENDMENT AGREEMENT

The Amendment Agreement primarily serves the purpose of maintaining the consolidated tax group between BAYER and US IP. With regard to the obligation to absorb losses in particular, a dynamic reference to section 302 of the AktG must be made because such a reference requires the application section 17 sentence 2 no. 2 of the German Corporate Income Tax Act (KStG) since its most recent amendment. In addition, section 14(1) sentence 1 no. 3 of the KStG sets out that the Profit and Loss Transfer Agreement must be concluded for a minimum of five years. While section 34(10b) sentence 4 of the KStG establishes that amendment agreements relating to the dynamic reference to section 302 of the AktG are not considered new agreements for the application of section 14(1) sentence 1 no. 3 of the KStG, based on the wording of the provision this only applies to agreements that up to now did not include a corresponding reference to section 302 of the AktG. Whether this also applies to agreements that, as is the case here, contained such a reference and are now being updated in line with the current legal situation is unclear. To avoid these interpretation difficulties and the associated possible disallowance of the consolidated tax group, it is agreed that notice of termination may not be given prior to the expiration of five years after the entry into force of the amended Agreement. This is because it is assumed that the amended Agreement will have a term of at least five years.

The consolidated tax group for corporate income tax and trade tax purposes thus maintained results in consolidated taxation of US IP (the tax group subsidiary) and BAYER (the tax group parent). This enables profits and losses to be offset against each other for tax purposes. Only BAYER as the tax group parent is thus liable for corporate income tax and trade tax. The Amendment Agreement therefore still enables the tax-optimized recognition of the profits and losses of US IP in the context of a consolidated tax group for corporate income tax and trade tax purposes.

Apart from this, no material changes to the content have been made; most of the modifications merely entail editorial changes. The changes therefore do not have any financial or operating effects for the companies involved.

On the whole, the Agreement, as amended by the Amendment Agreement, contains the standard provisions agreed when a group of companies is established.

5. ALTERNATIVES TO ENTERING INTO THE CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

There was no economically reasonable alternative to entering into the Amendment Agreement between BAYER and US IP that could have achieved the objectives described above in the same manner or better. In particular, entering into other types of intercompany agreement within the meaning of section 292 of the AktG (agreement to lease a business, agreement to transfer a business, profit pooling, or partial profit transfer agreement) or a management agreement cannot maintain the consolidated taxation of BAYER and US IP.

Leverkusen, February 17, 2014

Bayer Aktiengesellschaft
The Board of Management

Dr. Dekkers

Baumann

König

Malik

Plischke

Leverkusen, February 17, 2014

Bayer US IP GmbH
Executive Board

Dr. Semrau

Jansen-Frisch

Income Statement of Bayer US IP GmbH (formerly BayInvest GmbH), Leverkusen, for the period from January 1 to December 31, 2011

	2010	2011
	€	€
General administration expenses	(12,709)	(13,054)
Other operating expenses	(512)	(555)
Operating result	**(13,221)**	**(13,609)**
Other interest and similar income	50	165
	50	**165**
Financial result	**50**	**165**
Income before income taxes	**(13,171)**	**(13,444)**
Income from assumption of losses	13,171	13,444
Net income/loss	**0**	**0**

Balance Sheet of Bayer US IP GmbH (formerly BayInvest GmbH), Leverkusen, as of December 31, 2011

	Dec. 31, 2010	Dec. 31, 2011
	€	€
ASSETS		
Noncurrent assets		
Investments	0	100
	0	**100**
Current assets		
Receivables and other assets		
Receivables from affiliated companies	13,184	13,644
	13,184	**13,644**
Bank balances	23,664	23,231
	36,848	**36,875**
	36,848	**36,975**
EQUITY AND LIABILITIES		
Equity		
Capital stock	25,000	25,000
Net income/loss	0	0
	25,000	**25,000**
Liabilities		
Payables to affiliated companies	11,848	11,975
	11,848	**11,975**
	36,848	**36,975**

Changes in Noncurrent Assets of Bayer US IP GmbH (formerly BayInvest GmbH), Leverkusen, in the period from January 1 to December 31, 2011

	Gross carrying amounts						Net carrying amounts
	As of: Jan. 1, 2011	Additions	Transfers/ reclassifcations	Retirements	As of: Dec. 31, 2011	Accumulated write-downs As of: Dec. 31, 2011	As of: Dec. 31, 2011
	in €	in €	in €	in €	in €	in €	in €
Investments							
Investments in affiliated companies	0	100	0	0	100	0	100
	0	**100**	**0**	**0**	**100**	**0**	**100**
Total noncurrent assets	**0**	**100**	**0**	**0**	**100**	**0**	**100**

	Write-downs					
	As of: Jan. 1, 2011	Additions	Exceptional additions	Transfers/ reclassifcations	Retirements	Accumulated write-downs As of: Dec. 31, 2011
	in €	in €	in €	in €	in €	in €
Investments						
Investments in affiliated companies	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Total write-downs	**0**	**0**	**0**	**0**	**0**	**0**

Notes to the Financial Statements of Bayer US IP GmbH (formerly BayInvest GmbH), Leverkusen, for fiscal 2011

GENERAL

The financial statements of Bayer US IP GmbH (formerly BayInvest GmbH), Leverkusen, have been prepared in accordance with the German Commercial Code (HGB) and German Limited Liability Companies Act (GmbH-Gesetz). The change of name was entered in the Commercial Register on January 30, 2012 and was taken into account when preparing the financial statements.

Bayer AG, Leverkusen, is the parent company of Bayer US IP GmbH (formerly BayInvest GmbH), Leverkusen. Bayer AG, Leverkusen, prepares consolidated financial statements. These are available from the company's registered office in Leverkusen and are published in the electronic Federal Gazette.

RECOGNITION AND VALUATION PRINCIPLES

Receivables from affiliated companies are carried at nominal value.

Payables to affiliated companies are recognized at the settlement amount.

The income statement has been drawn up using the cost-of-sales method.

NOTES TO THE BALANCE SHEET

Receivables from affiliated companies are comprised exclusively of receivables from the parent company and are due within less than one year.

Payables to affiliated companies are due within less than one year and include payables of EUR 11,033.25 to the parent company.

MANAGEMENT

The company's managing directors are:

Dr. Stephan Semrau, Head of Corporate, Commercial and Public Law, Bayer AG

Mr. Rene Jansen-Frisch, Corporate Finance, Bayer AG

Leverkusen, May 8, 2012
Bayer US IP GmbH (formerly BayInvest GmbH)

(Dr. Semrau)	(Jansen-Frisch)

Income Statement of Bayer US IP GmbH, Leverkusen, for the period from January 1 to December 31, 2012

	2011	2012
	€	€
General administration expenses	(13,054)	(10,534)
Other operating expenses	(555)	(611)
Operating result	**(13,609)**	**(11,145)**
Other interest and similar income	165	19
	165	**19**
Financial result	**165**	**19**
Income before income taxes	**(13,444)**	**(11,126)**
Income from assumption of losses	13,444	11,126
Net loss	**0**	**0**

Balance Sheet of Bayer US IP GmbH, Leverkusen, as of December 31, 2012

	Dec. 31, 2011	Dec. 31, 2012
	€	€
ASSETS		
Noncurrent assets		
Investments	100	0
	100	**0**
Current assets		
Receivables and other assets		
Receivables from affiliated companies	13,644	11,703
	13,644	**11,703**
Bank balances	23,231	22,734
	36,875	**34,437**
	36,975	**34,437**
EQUITY AND LIABILITIES		
Equity		
Capital stock	25,000	25,000
	25,000	**25,000**
Liabilities		
Payables to affiliated companies	11,975	9,437
	11,975	**9,437**
	36,975	**34,437**

Notes to the Financial Statements of Bayer US IP GmbH, Leverkusen, for fiscal 2012

GENERAL

The financial statements of Bayer US IP GmbH (formerly BayInvest GmbH), Leverkusen, have been prepared in accordance with the German Commercial Code (HGB) and German Limited Liability Companies Act (GmbH-Gesetz). The change of name was entered in the Commercial Register on January 30, 2012.

Bayer AG, Leverkusen, is the parent company of Bayer US IP GmbH. Bayer AG, Leverkusen, prepares consolidated financial statements. These are available from the company's registered office in Leverkusen and are published in the electronic Federal Gazette.

RECOGNITION AND VALUATION PRINCIPLES

Receivables from affiliated companies are carried at nominal value.

Payables to affiliated companies are recognized at the settlement amount.

The income statement has been drawn up using the cost-of-sales method.

NOTES TO THE BALANCE SHEET

Receivables from affiliated companies are comprised exclusively of receivables from the parent company and are due within less than one year.

Payables to affiliated companies are due within less than one year and include payables of EUR 9,436.89 to the parent company.

MANAGEMENT

The company's managing directors are:

Dr. Stephan Semrau, Head of Corporate, Commercial and Public Law, Bayer AG

Mr. Rene Jansen-Frisch, Corporate Finance, Bayer AG

Leverkusen, March 28, 2013
Bayer US IP GmbH

(Dr. Semrau) (Jansen-Frisch)

Income Statement of for Bayer US IP GmbH, Leverkusen, for the period from January 1 to December 31, 2013

	2012	2013
	€	€
General administration expenses	(10,534)	(23,855)
Other operating expenses	(611)	(675)
Operating result	**(11,145)**	**(24,530)**
Other interest and similar income	19	.
	19	**.**
Financial result	**19**	**.**
Income before income taxes	**(11,126)**	**(24,530)**
Income from assumption of losses	11,126	24,530
Net income/loss	**0**	**0**

Balance Sheet of Bayer US IP GmbH, Leverkusen, as of December 31, 2013

	Dec. 31, 2012	Dec. 31, 2013
	€	€
ASSETS		
Current assets		
Receivables and other assets		
Receivables from affiliated companies	11,703	24,531
of which from the parent company	*[11,703]*	*[24,531]*
	11,703	**24,531**
Bank balances	22,734	22,122
	34,437	**46,653**
	34,437	**46,653**
EQUITY AND LIABILITIES		
Equity		
Capital stock	25,000	25,000
	25,000	**25,000**
Provisions		
Other provisions	0	7,500
	0	**7,500**
Other liabilities		
Payables to affiliated companies	9,437	14,153
of which to the parent company	*[9,437]*	*[14,153]*
of which due in < 1 year	*[9,437]*	*[14,153]*
	9,437	**14,153**
	34,437	**46,653**

Notification pursuant to Section 326 Paragraph 2 Sentence 3 of the German Commercial Code (HGB): on December 31, 2013 and at the end of the previous year, Bayer US IP GmbH did not exceed two of the three criteria listed in Section 267a Paragraph 1 HGB. It therefore utilizes the exemptions for micro-entities and has filed an application to deposit the balance sheet with the editor of the Federal Gazette.

Leverkusen, February 21, 2014

Bayer US IP GmbH
Executive Board

Dr. Stephan Semrau

René Jansen-Frisch

CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

in the form of an

Amendment Agreement to the Profit and Loss Transfer Agreement dated February 7, 1992,

between

Bayer Aktiengesellschaft, Leverkusen, (“BAYER”)

and

Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, (“BBG”)

The Parties entered into a Profit and Loss Transfer Agreement on February 7, 1992. To reflect amendments to statutory provisions, the Parties have amended the Agreement in its entirety as follows, adding the element of control:

§ 1. Management

(1) BBG places the management of its company under the control of BAYER. BAYER is thus entitled to issue instructions to the Management of BBG with regard to the management of the company. The provisions of section 308 of the AktG, as amended, shall apply, with the necessary modifications.

(2) BAYER shall only exercise its right to issue instructions through the Board of Management. Any instruction must be issued in writing.

§ 2. Profit Transfer

(1) BBG agrees to transfer its entire profit to BAYER. The provisions of section 301 of the AktG, as amended, shall apply, with the necessary modifications.

(2) BBG may transfer amounts from its net income for the year to other retained earnings (section 272(3) of the German Commercial Code (HGB)) with BAYER’s consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the term of the Agreement in accordance with section 272(3) of the HGB shall be released if required by BAYER.

(3) The transfer of amounts resulting from the release of other retained earnings in accordance with section 272(3) of the HGB created before the commencement of this Agreement or from capital reserves is excluded.

§ 3. Absorption of Losses

The provisions of section 302 of the AktG, as amended, shall apply, with the necessary modifications.

§ 4. Effective Date and Duration

(1) This Agreement requires the approval of the Annual Stockholders' Meeting of BAYER and the Annual Members' Meeting of BBG.

(2) The amended Agreement shall take effect upon entry in the commercial register at the domicile of BBG and shall apply retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. The right to issue instructions can only be exercised after the Agreement has been entered as amended in the commercial register at the domicile of BBG. The original version of the Agreement shall apply for the period prior to the effective date of the amended Agreement.

(3) The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the amended Agreement takes effect. If the Agreement is not terminated, it shall be automatically extended by one fiscal year in each case, subject to the same notice period.

(4) The right to terminate the Agreement for good cause without compliance with any notice period is not affected. In particular, BAYER is entitled to terminate the Agreement for good cause if it no longer holds a majority interest in BBG, another investor has acquired a stake in BBG, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. Good cause for extraordinary termination shall also extend, in particular, to the merger, split-off, or liquidation of one of the Parties.

§ 5. Other Provisions

The ineffectiveness or unenforceability of one or more provisions of this Agreement shall not affect the validity of the remaining provisions.

Leverkusen, February 17, 2014

Bayer Aktiengesellschaft

Leverkusen, February 11, 2014

Bayer Bitterfeld GmbH

JOINT REPORT

by the Board of Management of Bayer Aktiengesellschaft,

Leverkusen, (“BAYER”)

and the

Management of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, (“BBG”)

on the Control and Profit and Loss Transfer Agreement dated February 11/17, 2014,

in accordance with section 293a of the German Stock Corporation Act (AktG)

In order to inform their stockholders and members and to prepare the resolution for the Annual Stockholders’ Meeting of BAYER and the Annual Members’ Meeting of BBG, the Board of Management of BAYER and the Management of BBG are submitting the following joint report on the Control and Profit and Loss Transfer Agreement dated February 11/17, 2014 between BAYER and BBG in the form of an Amendment Agreement to the existing Profit and Loss Transfer Agreement dated February 7, 1992:

1. AMENDMENT AGREEMENT; EFFECTIVE DATE

The Amendment Agreement to the Profit and Loss Transfer Agreement dated February 7, 1992, was entered into on February 11/17, 2014. It will be submitted for approval in accordance with sections 293 and 295 of the AktG to BAYER’s Annual Stockholders’ Meeting on April 29, 2014. It is planned that BBG’s Annual Members’ Meeting will approve the conclusion of the Amendment Agreement by way of a notarized resolution dated February 27, 2014. The Amendment Agreement must also be entered in the commercial register at the domicile of BBG in order to take effect.

2. PARTIES TO THE AGREEMENT

BAYER is a German stock corporation (Aktiengesellschaft) entered in the commercial register of the Cologne Local Court (Amtsgericht) under the number HRB 48248 with its registered office in Leverkusen. BAYER’s fiscal year is the calendar year. According to the company’s Articles of Incorporation, the purpose of the company is manufacturing, marketing and other industrial activities, or the provision of services, in the fields of health care, agriculture, polymers and chemicals. BAYER is the parent company of the Bayer Group. The Bayer Group conducts its operations in three subgroups: Bayer HealthCare, Bayer Crop-Science and Bayer MaterialScience. These are supported by three service companies.

BAYER’s total assets in 2011 and 2012 were approximately €38 billion and approximately €36 billion, respectively, and its distributable profit was €1,364 billion in 2011 and €1,571 billion in 2012. In 2013, total assets were approximately €38 billion and distributable profit was €1,764 million.

BBG is a German limited liability company (Gesellschaft mit beschränkter Haftung) entered in the commercial register of the Stendal Local Court under the number HRB 10914. Its fiscal year is the calendar year. The company’s registered office is in Bitterfeld-Wolfen. BBG’s capital stock amounts to €58.8 million. The sole member is BAYER. According to its Shareholder Agreement, the purpose of the company is manufacturing, marketing and other industrial activities, or the provision of services, in the field of pharmaceutical products for human and veterinary medicine and all other kinds of chemical products. BBG is a part of the HealthCare subgroup of the Bayer Group and performs contract manufacturing for Bayer Consumer Care AG, Basel, which supplies the European market and the global market with over-the-counter medicines. In addition to contract manufacturing, the company provides infrastructure services for partner companies located in BBG's industrial park.

BBG's total assets amounted to €264 million in fiscal years 2010 and 2011 and €263 million in fiscal year 2012. Net income before profit transfer amounted to €4.8 million in 2010, €6.8 million in 2011 and €4.5 million in 2012.

3. EXPLANATION OF THE AMENDMENT AGREEMENT

1. Management

In accordance with the new provision incorporated into § 1 of the Control and Profit and Loss Transfer Agreement, as amended by the Amendment Agreement, BBG places the management of its company under the control of BAYER. BAYER is entitled to issue instructions to the Management of BBG with regard to the management of the company. To the extent that no instructions are issued, the Management of BBG manages the company at its own responsibility.

The right to issue instructions is determined in accordance with section 308 of the AktG. BBG is required to follow legitimate instructions. Instructions can also be issued that are detrimental to BBG if they serve the interests of BAYER and companies that are members of the Bayer Group. The Management is not required to comply with any prohibited instructions, for example, instructions that would violate mandatory statutory provisions if they were to be followed. Furthermore, no instruction to amend, maintain, or terminate the Agreement may be issued.

2. Profit Transfer

In accordance with § 2 of the Agreement, as amended by the Amendment Agreement, BBG agrees to transfer its entire profit to BAYER. Subject to the creation or release of reserves, net income for the year before transfer of profit, reduced by any loss carried forward from the previous year and by the amount subject to a restriction on distribution in accordance with section 268(8) of the HGB, must be transferred. BBG may transfer amounts from net income for the year to other retained earnings with BAYER's consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the course of the Agreement must be released if required by BAYER and must be used to offset the net loss for any year or transferred as profit. These provisions correspond to the restrictions on transferring profit set out in section 301 of the AktG that apply in this case, with the necessary modifications. Section 301 of the AktG, as amended, also applies, with the necessary modifications.

The substance of the Agreement with regard to BBG's obligation to transfer profits therefore remains unchanged. An amendment was simply made to reflect the provisions of section 301 of the AktG. There is also a dynamic reference to section 301 of the AktG ("as amended").

3. Absorption of Losses

In accordance with § 3 of the Agreement, as amended by the Amendment Agreement, BAYER is required to absorb the losses in accordance with section 302 of the AktG, as amended. Pursuant to section 302 of the AktG, BAYER is obligated to compensate any net loss for the year arising during the term of the Agreement to the extent that it is not offset by withdrawing amounts from other retained earnings that were transferred to them during the course of the Agreement. By way of application of section 302(3) of the AktG, with the necessary modifications, BBG may not waive or settle the claim to have losses offset until three years after the date on which entry of the termination of the Agreement in the commercial register is deemed to have been announced. In accordance with section 302(4) of the AktG, the statute of limitation for any claims by BBG is ten years starting from the day on which notice of the entry of the termination of the Agreement in the commercial register has been announced pursuant to section 10 of the HGB.

The provision on the absorption of losses also remains essentially unchanged. The original Agreement already provided for the application of section 302 of the AktG, with the necessary modifications. The only material change is the dynamic reference to section 302 of the AktG ("as amended").

4. Effective Date and Duration

The Agreement, as amended by the Amendment Agreement, takes effect upon entry in the commercial register at the domicile of BBG and applies retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. For the period prior to the effective date of the Agreement, as amended by the Amendment Agreement, the original Agreement dated February 7, 1992, applies. This explains the order of the phased applicability of the different versions.

The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the Agreement, as amended by the Amendment Agreement, takes effect. A minimum term of now five years from the effective date of the Agreement, as amended, is again agreed in this respect.

If the Agreement is not terminated, it will be automatically extended by one fiscal year in each case, subject to the same notice period. The content of the existing requirement continues to apply in this respect.

In contrast, the Amendment Agreement includes the provision that the Agreement may otherwise be terminated for good cause without compliance with any notice period. This applies especially to BAYER in the event that BAYER no longer holds a majority interest in BBG, another investor has acquired a stake in BBG, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. In accordance with R 60(6) sentence 2 of the KStR of 2004, good cause for extraordinary termination also extends to the sale or contribution of the tax group subsidiary by the tax group parent as well as to the merger, split-off, or liquidation of the tax group parent or the tax group subsidiary. The latter case is explicitly defined in the Agreement as good cause. As the right to termination for good cause is prescribed by law, the inclusion of the provision is merely declaratory. On the other hand, the (nonexhaustive) list of reasons for termination is intended to specify when an extraordinary termination may take place.

5. Miscellaneous

The amended Agreement, like the original Agreement, does not provide for any compensation payments or any settlement for noncontrolling interest shareholders because BAYER is the sole member of BBG.

Since BAYER holds all of the shares of BBG, no examination of the Amendment Agreement by an expert auditor (contract auditor) is required under section 293b(1) of the AktG, with the necessary modifications, and no report on any audit must be prepared under section 293e of the AktG.

4. ECONOMIC IMPORTANCE AND PURPOSE OF THE AMENDMENT AGREEMENT

The Amendment Agreement primarily serves the purpose of maintaining the consolidated tax group between BAYER and BBG. With regard to the obligation to absorb losses in particular, a dynamic reference to section 302 of the AktG must be made because such a reference requires the application section 17 sentence 2 no. 2 of the German Corporate Income Tax Act (KStG) since its most recent amendment. In addition, section 14(1) sentence 1 no. 3 of the KStG sets out that the Profit and Loss Transfer Agreement must be concluded for a minimum of five years. While section 34(10b) sentence 4 of the KStG establishes that amendment agreements relating to the dynamic reference to section 302 of the AktG are not considered new agreements for the application of section 14(1) sentence 1 no. 3 of the KStG, it is unclear whether this also applies to agreements that, as is the case here, already contained a reference to section 302 of the AktG and will, in addition, undergo further changes, notably the addition of a control element. It is therefore agreed that notice of termination may not be given prior to the expiration of five years after the entry into force of the amended Agreement. It is assumed that the amended Agreement will have a term of at least five years.

The consolidated tax group for corporate income tax and trade tax purposes thus maintained results in consolidated taxation of BBG (the tax group subsidiary) and BAYER (the tax group parent). This enables profits and losses to be offset against each other for tax purposes. Only BAYER as the tax group parent is thus liable for corporate income tax and trade tax. The Amendment Agreement therefore still enables the tax-optimized recognition of the profits and losses of BBG in the context of a consolidated tax group for corporate income tax and trade tax purposes.

The new requirements concerning the management of BBG that have been included in the Amendment Agreement will strengthen BAYER's authorization to manage the company, including in relation to potential detrimental instructions possibly serving the interests of the Group.

Apart from this, no material changes to the content have been made; most of the modifications merely entail amendments in line with statutory provisions. The changes therefore do not have any financial or operating effects for the companies involved.

On the whole, the Agreement, as amended by the Amendment Agreement, contains the standard provisions agreed when a group of companies is established.

5. ALTERNATIVES TO ENTERING INTO THE CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

There was no economically reasonable alternative to entering into the Amendment Agreement between BAYER and BBG that could have achieved the objectives described above in the same manner or better. In particular, entering into other types of intercompany agreement within the meaning of section 292 of the AktG (agreement to lease a business, agreement to transfer a business, profit pooling, or partial profit transfer agreement) or a management agreement cannot maintain the consolidated taxation of BAYER and BBG.

Additionally, BAYER's right to issue instructions cannot be achieved in an identical or better manner by means of a different measure.

Leverkusen, Februar 17, 2014

Bayer Aktiengesellschaft
The Board of Management

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Dr. Dekkers

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Baumann

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König

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Malik

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Dr. Plischke

Bitterfeld, February 11, 2014

Bayer Bitterfeld GmbH
Managing Director

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Dr. Schleicher

Income Statement of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, for the period from January 1 to December 31, 2010

	2009	2010
	€	€
Sales	**58,163,961**	**54,691,149**
Cost of goods sold	(52,163,812)	(48,947,985)
Gross profit	**6,000,149**	**5,743,164**
General administration expenses	(1,317,320)	(1,332,765)
Other operating income	39,410	276,761
Other operating expenses	(213,069)	(503,994)
Operating result	**4,509,170**	**4,183,166**
Other interest and similar income	2,077,602	1,115,273
of which from affiliated companies	*[2,077,602]*	*[1,115,273]*
Interest and similar expenses	(59,534)	(9,573)
of which to affiliated companies	*[(59,534)]*	*[(9,573)]*
	2,018,068	**1,105,700**
Miscellaneous financial income (mainly from market valuation Pension Trust, gains from the valuation of foreign currency amounts)	93,521	9,476
of which from currency translation	*[11,852]*	*[1,839]*
Miscellaneous financial expenses (mainly interest effects from the valuation of pension provisions, losses from the valuation of foreign currency amounts)	(398,697)	(543,663)
of which from currency translation	*[(5,206)]*	*[(3,585)]*
of which interest portion of interest-bearing provisions and liabilities	*[(310,173)]*	*[(384,277)]*
	(305,176)	**(534,187)**
Financial result	**1,712,892**	**571,513**
Income before income taxes	**6,222,062**	**4,754,679**
Expenses for profit transfer	(6,222,062)	(4,754,679)
Net income/loss	**0**	**0**

Bitterfeld, March 15, 2011

Bayer Bitterfeld GmbH
Managing Director

Dr. Schleicher

Balance Sheet of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, as of December 31, 2010

	Dec. 31, 2009	Dec. 31, 2010
	€	€
ASSETS		
Noncurrent assets		
Intangible assets		
Acquired concessions, industrial property rights, similar rights and assets and licenses thereunder	185,517	229,228
Advance payments	1,208,810	2,108,797
	1,394,327	**2,338,025**
Property, plant and equipment		
Land and buildings	28,235,134	28,615,382
Machinery and technical equipment	17,217,115	17,155,362
Furniture, fixtures and other equipment	1,377,924	1,360,114
Advance payments and assets under construction	4,853,404	6,876,847
	51,683,577	**54,007,705**
	53,077,904	**56,345,730**
Current assets		
Inventories		
Supplies and operating materials	291,679	266,767
	291,679	**266,767**
Receivables and other assets		
Trade accounts receivable	6,610,043	4,460,813
of which from affiliated companies	*[5,455,144]*	*[3,757,564]*
Receivables from affiliated companies	205,019,841	202,105,601
of which from the parent company	*[205,014,014]*	*[202,105,601]*
Other assets	537,662	190,082
	212,167,546	**206,756,496**
Cash	1,780	2,044
	212,461,005	**207,025,307**
Deferred charges	**311,709**	**392,239**
Surplus from offsetting	**22,792**	**18,445**
	265,873,410	**263,781,721**

Balance Sheet of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, as of December 31, 2010

	Dec. 31, 2009	Dec. 31, 2010
	€	€
EQUITY AND LIABILITIES		
Equity		
Capital stock	58,800,000	58,800,000
Capital reserve	176,523,522	176,523,522
Other retained earnings	642,165	642,165
As of January 1	*[0]*	*[642,165]*
Allocation (Art. 67 para. 1 EGHGB)	*[642,165]*	*[0]*
As of December 31	*[642,165]*	*[642,165]*
	235,965,687	**235,965,687**
Special items for investment grants and subsidies	**8,937,464**	**8,587,540**
Provisions		
Provisions for pensions and other post-employment benefits	5,468,509	5,444,270
Other provisions	4,745,230	5,562,680
	10,213,739	**11,006,950**
Other liabilities		
Trade accounts payable	3,508,789	2,796,950
of which to affiliated companies	*[337,057]*	*[512,225]*
of which to the parent company	*[7,080]*	*[0]*
of which due in < 1 year	*[3,508,789]*	*[2,796,950]*
Payables to affiliated companies	6,437,967	4,754,961
of which to the parent company	*[6,437,967]*	*[4,754,961]*
of which due in < 1 year	*[6,437,967]*	*[4,754,961]*
Miscellaneous liabilities	809,764	669,633
of which for taxes	*[732,207]*	*[624,033]*
of which for social security	*[75,284]*	*[44,124]*
of which due in < 1 year	*[778,187]*	*[640,716]*
of which due in between 1 and 5 years	*[25,527]*	*[21,300]*
of which due in > 5 years	*[6,050]*	*[7,617]*
	10,756,520	**8,221,544**
	265,873,410	**263,781,721**

Note on contingent liabilities in accordance with Section 251 of the German Commercial Code (HGB): no contingent liabilities

Changes in Noncurrent Assets of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, in the period from January 1 to December 31, 2010

	Gross carrying amounts						Net carrying amounts
	As of: Jan. 1, 2010	Additions	Transfers/ reclassifications	Retirements	As of: Dec. 31, 2010	Accumulated depreciation/ amortization/ write-downs As of: Dec. 31, 2010	As of: Dec. 31, 2010
	€	€	€	€	€	€	€
Intangible assets							
Acquired concessions, industrial property rights, similar rights and assets, and licenses thereunder	5,077,439	122,777	76,765	(64,139)	5,212,842	4,983,614	229,228
Advance payments	1,208,810	976,752	(76,765)	0	2,108,797	0	2,108,797
	6,286,249	**1,099,529**	**0**	**(64,139)**	**7,321,639**	**4,983,614**	**2,338,025**
Property, plant and equipment							
Land and buildings	93,279,482	1,039,620	1,209,701	(193,045)	95,335,758	66,720,376	28,615,382
Machinery and technical equipment	147,605,574	2,136,996	1,792,016	(2,017,109)	149,517,477	132,362,115	17,155,362
Furniture, fixtures and other equipment	12,941,170	234,133	161,233	(219,189)	13,117,347	11,757,233	1,360,114
Advance payments and assets under construction	4,853,404	5,186,393	(3,162,950)	0	6,876,847	0	6,876,847
	258,679,630	**8,597,142**	**0**	**(2,429,343)**	**264,847,429**	**210,839,724**	**54,007,705**
Total noncurrent assets	**264,965,879**	**9,696,671**	**0**	**(2,493,482)**	**272,169,068**	**215,823,338**	**56,345,730**

Changes in Noncurrent Assets of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, in the period from January 1 to December 31, 2010

	Accumulated depreciation/amortization/write-downs				
	As of: Jan. 1, 2010	Additions	Transfers/ reclassifications	Retirements	Accumulated depreciation/ amortization/ write-downs As of: Dec. 31, 2010
	€	€	€	€	€
Intangible assets					
Acquired concessions, industrial property rights, similar rights and assets, and licenses thereunder	4,891,922	155,831	0	(64,139)	4,983,614
Advance payments	0	0	0	0	0
	4,891,922	**155,831**	**0**	**(64,139)**	**4,983,614**
Property, plant and equipment					
Land and buildings	65,044,348	1,844,983	0	(168,955)	66,720,376
Machinery and technical equipment	130,388,459	3,570,760	0	(1,597,104)	132,362,115
Furniture, fixtures and other equipment	11,563,246	413,124	0	(219,137)	11,757,233
Advance payments and assets under construction	0	0	0	0	0
	206,996,053	**5,828,867**	**0**	**(1,985,196)**	**210,839,724**
Total depreciation, amortization and write-downs	**211,887,975**	**5,984,698**	**0**	**(2,049,335)**	**215,823,338**

Income Statement of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, for the period from January 1 to December 31, 2011

	2010	2011
	€	€
Sales	**54,691,149**	**56,050,831**
Cost of goods sold	(48,947,985)	(49,794,048)
Gross profit	**5,743,164**	**6,256,783**
General administration expenses	(1,332,765)	(1,376,703)
Other operating income	276,761	81,329
of which from currency translation	*[0]*	*[0]*
Other operating expenses	(503,994)	(74,889)
of which from currency translation	*[0]*	*[0]*
Operating result	**4,183,166**	**4,886,520**
Other interest and similar income	1,115,273	2,333,680
of which from affiliated companies	*[1,115,273]*	*[2,333,680]*
of which income resulting from discounting of provisions	*[0]*	*[0]*
Interest and similar expenses	(9,573)	(7,765)
of which to affiliated companies	*[(9,573)]*	*[(6,660)]*
of which expenses for the interest portion of interest-bearing provisions and liabilities	*[0]*	*[0]*
	1,105,700	**2,325,915**
Miscellaneous financial income (mainly from market valuation Pension Trust, gains from the valuation of foreign currency amounts)	9,476	36,183
of which from currency translation	*[1,839]*	*[6,552]*
Miscellaneous financial expense (mainly interest effects from the valuation of pension provisions, losses from the valuation of foreign currency amounts)	(543,663)	(446,425)
of which from currency translation	*[(3,585)]*	*[(1,388)]*
of which interest portion of interest-bearing provisions and liabilities	*[(384,277)]*	*[(426,379)]*
	(534,187)	**(410,242)**
Financial result	**571,513**	**1,915,673**
Income before income taxes	**4,754,679**	**6,802,193**
Expenses for profit transfer/income from assumption of losses	(4,754,679)	(7,444,358)
Net loss	**0**	**(642,165)**
Withdrawals from retained earnings	0	642,165
Distributable profit	**0**	**0**

Bitterfeld, March 27, 2011

Bayer Bitterfeld GmbH
Managing Director

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Dr. Schleicher

Balance Sheet of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, as of December 31, 2011

	Dec. 31, 2010	Dec. 31, 2011
	€	€
ASSETS		
Noncurrent assets		
Intangible assets	2,338,025	3,190,411
Property, plant and equipment	54,007,705	55,241,905
	56,345,730	**58,432,316**
Current assets		
Inventories		
Raw materials, supplies and operating materials	266,767	574,297
	266,767	**574,297**
Receivables and other assets		
Trade accounts receivable	4,460,813	4,975,168
of which from affiliated companies	*[3,757,564]*	*[4,291,384]*
of which from investments	*[0]*	*[0]*
of which from the parent company	*[0]*	*[0]*
of which due in > 1 year	*[0]*	*[0]*
Receivables from affiliated companies	202,105,601	199,059,168
of which from the parent company	*[202,105,601]*	*[199,049,471]*
of which due in > 1 year	*[0]*	*[0]*
Other assets	190,082	788,801
of which due in > 1 year	*[33,485]*	*[44,338]*
	206,756,496	**204,823,137**
Cash on hand and bank balances	2,044	338
	207,025,307	**205,397,772**
Deferred charges	**392,239**	**327,737**
Surplus from offsetting	**18,445**	**302,644**
	263,781,721	**264,460,469**

Balance Sheet of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, as of December 31, 2011

	Dec. 31, 2010	Dec. 31, 2011
	€	€
EQUITY AND LIABILITIES		
Equity		
Capital stock	58,800,000	58,800,000
Capital reserve	176,523,522	176,523,522
Other retained earnings	642,165	0
As of January 1	*[642,165]*	*[642,165]*
Allocation (Art. 67 para. 1 EGHGB)	*[0]*	*[0]*
Withdrawal	*[0]*	*[(642,165)]*
As of December 31	*[642,165]*	*[0]*
Distributable profit	0	0
	235,965,687	**235,323,522**
Special items for investment grants and subsidies	**8,587,540**	**7,931,151**
Provisions		
Provisions for pensions and other post-employment benefits	5,444,270	3,856,498
Provisions for taxes	0	11,300
Miscellaneous provisions	5,562,680	5,686,954
	11,006,950	**9,554,752**
Other liabilities		
Trade accounts payable	2,796,950	3,490,965
of which to affiliated companies	*[512,225]*	*[608,595]*
of which to investments	*[0]*	*[0]*
of which to the parent company	*[0]*	*[10,354]*
of which due in < 1 year	*[2,796,950]*	*[3,408,965]*
of which due in between 1 and 5 years	*[0]*	*[82,000]*
of which due in > 5 years	*[0]*	*[0]*
Payables to affiliated companies	4,754,961	7,444,358
of which to the parent company	*[4,754,961]*	*[7,444,358]*
of which due in < 1 year	*[4,754,961]*	*[7,444,358]*
of which due in between 1 and 5 years	*[0]*	*[0]*
of which due in > 5 years	*[0]*	*[0]*
Miscellaneous liabilities	669,633	715,721
of which from taxes	*[624,033]*	*[681,016]*
of which for social security	*[44,124]*	*[29,274]*
of which due in < 1 year	*[640,716]*	*[694,848]*
of which due in < 1 year	*[21,300]*	*[14,637]*
of which due in < 1 year	*[7,617]*	*[6,236]*
	8,221,544	**11,651,044**
	263,781,721	**264,460,469**

Note on contingent liabilities in accordance with Section 251 of the German Commercial Code (HGB): no contingent liabilities

Changes in Noncurrent Assets of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, in the period from January 1 to December 31, 2011

	Gross carrying amounts						Net carrying amounts
	As of: Jan. 1, 2011	Additions	Transfers/ reclassifications	Retirements	As of: Dec. 31, 2011	Accumulated depreciation/ amortization/ write-downs As of: Dec. 31, 2011	As of: Dec. 31, 2011
	€	€	€	€	€	€	€
Intangible assets							
Concessions, industrial property rights, similar rights and assets and licenses thereunder	5,212,842	13,536	12,660	(19,260)	5,219,778	5,076,828	142,950
Advance payments	2,108,797	951,324	(12,660)	0	3,047,461	0	3,047,461
	7,321,639	**964,860**	**0**	**(19,260)**	**8,267,239**	**5,076,828**	**3,190,411**
Property, plant and equipment							
Land and buildings	95,335,758	916,205	1,122,084	(31,159)	97,342,888	68,583,125	28,759,763
Machinery and technical equipment	149,517,477	3,791,659	4,922,269	(775,618)	157,455,787	135,413,105	22,042,682
Furniture, fixtures and other equipment	13,117,347	470,474	116,274	(525,480)	13,178,615	11,673,626	1,504,989
Advance payments and assets under construction	6,876,847	2,218,251	(6,160,627)	0	2,934,471	0	2,934,471
	264,847,429	**7,396,589**	**0**	**(1,332,257)**	**270,911,761**	**215,669,856**	**55,241,905**
Total noncurrent assets	**272,169,068**	**8,361,449**	**0**	**(1,351,517)**	**279,179,000**	**220,746,684**	**58,432,316**

Changes in Noncurrent Assets of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, in the period from January 1 to December 31, 2011

	Depreciation/amortization/write-downs					
	As of: Jan. 1, 2011	Additions	Exceptional additions	Transfers/ reclassifications	Retirements	Accumulated depreciation, amortization and write-downs As of: Dec. 31, 2011
	€	€	€	€	€	€
Intangible assets						
Concessions, industrial property rights, similar rights and assets and licenses thereunder	4,983,614	112,474	0	0	(19,260)	5,076,828
Advance payments	0	0	0	0	0	0
	4,983,614	**112,474**	**0**	**0**	**(19,260)**	**5,076,828**
Property, plant and equipment						
Land and buildings	66,720,376	1,883,177	0	0	(20,428)	68,583,125
Machinery and technical equipment	132,362,115	3,817,349	0	0	(766,359)	135,413,105
Furniture, fixtures and other equipment	11,757,232	437,153	0	0	(520,759)	11,673,626
Advance payments and assets under construction	0	0	0	0	0	0
	210,839,723	**6,137,679**	**0**	**0**	**(1,307,546)**	**215,669,856**
Total depreciation, amortization and write-downs	**215,823,337**	**6,250,153**	**0**	**0**	**(1,326,806)**	**220,746,684**

Management Report of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, for fiscal 2012

1. Introduction

Bayer Bitterfeld GmbH is a wholly owned subsidiary of Bayer AG. Since February 7, 1992 it has had a profit-and-loss transfer agreement with its sole owner, Bayer AG. Organizationally, the company is part of the Bayer HealthCare subgroup. At the site in Bitterfeld, Germany, Bayer Bitterfeld GmbH operates one of the most modern production facilities in the world. The company is a contract manufacturer for Bayer Consumer Care AG, which supplies over-the-counter (OTC) medication to Europe and the world market. Precursors and packaging are provided by Bayer Consumer Care AG, and the finished products are the property of this company. Alongside production for the Consumer Health segment, Bayer Bitterfeld GmbH provides infrastructure services for companies at the local industrial park.

Bayer Bitterfeld GmbH owns a power and natural gas supply network and is thus classified as an energy supply company within the meaning of Section 3 No. 18 of the German Energy Management Act (EnWG). The company leases its power and gas network to EVIP GmbH, which has assumed all rights and obligations relating to the network since January 1, 2010. In addition, the company is affiliated to the vertically integrated energy supply company Currenta GmbH & Co. OHG, and is thus also classified as a vertically integrated energy supply company within the meaning of Section 3 No. 38 EnWG.

2. Economic background

2012 was a very successful year for the Bayer Group. In the Consumer Care segment, OTC medications grew faster than the market average. The economic situation of Bayer Bitterfeld GmbH is dominated by its close economic ties with its parent company Bayer AG and with the Bayer HealthCare subgroup. The company is part of the Product Supply organizational unit within Bayer's worldwide production network. As a contract manufacturer, Bayer Bitterfeld GmbH is only indirectly affected by economic and external market factors. Its manufacturing services are invoiced on the basis of cost plus a margin of 6% (since January 1, 2011). Invoicing is on a full-cost basis, including general administration expenses.

3. Business performance

The Bitterfeld Supply Center produced 8,839 million tablets in 2012 (2011: 8,435 million tablets). That was 2% above budget, principally as a result of higher volumes for the U.S. market. The production-related operating expenses for the Supply Center amounted to €42.5 million (2011: €4.01 million), which was 0.7% more than had been budgeted. Capacity utilization remained high in 2012, and there were no significant production outages.

Major projects were implemented very successfully during the year, including the installation and validation of a new packaging line in record time, and start-up of routine production of an additional packaging line for sachets.

The quality specifications for the production of medicines are subject to Good Manufacturing Practices (GMP). Bayer Bitterfeld GmbH was able to provide evidence of compliance with these requirements in regular inspections by the authorities and inspections by in-house departments.

Bayer Bitterfeld GmbH receives investment subsidies under German legislation on investment subsidies. These have to meet stringent legal and tax requirements. Full annual evidence was provided for the fiscal authorities.

In 2012 the company launched the „Bitterfeld 2015" strategy concept to drive forward the strategic objectives of the Bayer HealthCare organization, including optimizing production processes, raising flexibility and efficiency, and optimizing throughput times and production costs.

The Bayer Group's LIFE values are firmly anchored in the objectives of Bayer Bitterfeld GmbH and form an integral part of the global performance management system. LIFE stands for Leadership, Integrity, Flexibility and Efficiency and is put into practice with the aid of various activities at the Bitterfeld site.

During the year under review, Bayer Bitterfeld 2012 received the official accolade "Top Vocational Training Facility 2012".

The company's infrastructure activities slightly exceeded planned revenues from business with partners at the industrial park, which made a contribution to diluting fixed costs.

4. Earnings, asset and financial position

Bayer Bitterfeld GmbH posted a very good performance in fiscal 2012 and developed in line with management expectations.

The company generated sales of €59.3 million, a year-on-year rise of 6%. 78% of sales (2011: 77%) came from contract manufacturing for Bayer Consumer Care, and 22% (2011: 23%) came from services for partners at the industrial park.

Gross income was €5.2 million, which was €1.1 million less than in the previous year, mainly as a result of obligations to take account of future pension rises, which led to one-time expense.

The operating result was €4.0 million in 2012 (2011: €4.9 million). The financial result was €0.5 million. The year-on-year decline of €1.4 million was mainly due to lower interest from cash pool investments. The interest expense contained in the financial result principally comprises interest on payables to Bayer AG. The miscellaneous financial expense relates to the interest portion of pension obligations.

The net income of €4.5 million was therefore €2.3 million lower than in the previous year, and will be transferred in full to Bayer AG.

The company's noncurrent assets totaled €61.4 million at year-end 2012, a slight increase of 5% compared with year-end 2011.

Additions to intangible assets and property, plant and equipment amounted to €9.6 million in 2012, while depreciation and amortization was €5.6 million. Capital expenditures for property, plant and equipment in 2012 focused on upkeep and expansion, but also included investment for the introduction of new products such as Aspirin Advanced® for the United States.

The current assets of €201.0 million (2011: €205.4 million) comprise inventories (€0.9 million), trade accounts receivable (€5.4 million), receivables from affiliated companies (€193.1 million), and other assets (€1.6 million).

Inventories are comprised entirely of materials and supplies and were 53% higher than in the previous year due to the inclusion in the SAP system of materials and supplies held in the warehouse at the Supply Center.

As of December 31, 2012, noncurrent assets accounted for 23.3% of total assets, which was slightly more than at year-end 2011.

The equity of Bayer Bitterfeld GmbH was €235 million on December 31, 2012, giving an equity ratio of 90%.

Special items totaling €6.9 million (2011: €7.9 million) contain investment grants and subsidies and are released on a pro rata basis. This reduces depreciation of the subsidized assets.

The provisions of €11.5 million (2011: €9.6 million) mainly comprise provisions for pensions and other post-employment benefits (€5.1 million). Other provisions (€6.4 million) include further personnel-related provisions (€4.0 million) and trade-related provisions (€1.5 million).

The liabilities of €9.3 million (2011: €11.7 million) contain trade accounts payable (€4.0 million), payables to affiliated companies (€4.5 million) and miscellaneous liabilities (€0.8 million). The company's liquidity is ensured by integration into the Bayer Group's cash pooling system. In addition, the company has cash and cash equivalents of €193.1 million.

5. Information on activities in accordance with Section 6b EnWG

As the owner of an electricity and gas supply network, the company is subject to the reporting obligations set forth in Section 6b of the German Energy Management Act (EnWG). In accordance with these requirements, the company keeps separate accounts for the activities of its electricity and natural gas divisions. The results of these activities principally comprise leasing revenues and the attributable costs of the electricity and natural gas network. The pro rata operating income from the electricity activities was €64 thousand, while the gas network generated operating income of €8 thousand.

On December 31, 2012 total assets relating to the electricity network amounted to €516 million while total assets for the natural gas network were €22 thousand. The asset side of both balance sheets is dominated by noncurrent assets. In both cases, equity and liabilities include special items for investment grants and subsidies, liabilities relating to profit transfer, and residual amounts.

6. Employees

On December 31, 2012 Bayer Bitterfeld GmbH had 362 employees (2011: 358). Compared with the previous year the headcount was virtually constant (+1.1%) It included 47 employees with fixed-term contracts. The company had 46 trainees on the reporting date (2011: 78), who are not included in the total headcount.

Bayer Bitterfeld GmbH had an average of 193 manual workers and 168 office staff. The average a number of employees was three fewer than in the previous year (2011: 364).

7. Risk report

Managing opportunities and risks is part of the company's business activities and forms an integral part of management of the company.

Both the opportunities and risks of Bayer Bitterfeld GmbH are closely associated with Bayer Consumer Care AG, and largely determined by its future development.

Key elements of the opportunity and risk management system are the planning and controlling process, Group regulations and the reporting system. The management holds regular meetings on the business situation, at which it evaluates opportunities and risks, analyzes the development of production volumes, the cost situation, capital expenditures and human resources trends, and agrees on measures to manage them.

Production capacity at the site could be impaired by, for example, technical problems, natural catastrophes, regulatory conditions or interruption of the supply of the main raw materials. Bayer Bitterfeld GmbH has described and evaluated the production risks, their impact and the probability of their occurrence in an ERM risk matrix and documented appropriate counter-measures.

Process safety is guaranteed by integrated quality, health, environment and safety management. The company addresses risks relating to products and environmental protection within the framework of its Responsible Care and quality assurance activities.

As a contract manufacturer for Bayer Consumer Care AG, the company could benefit substantially from expansion of Bayer Consumer Care's position in the global OTC market and utilization of the growth potential of established brands such as Aspirin®.

Further opportunities could arise from expansionary investment by a partner at the industrial park and extension of the service offering.

The company's risk landscape has not altered since the previous year. The present risks do not jeopardize the survival of the company.

8. Events after the reporting date

No events of particular significance that could affect the company's earnings, assets and financial position have occurred since January 1, 2013.

9. Outlook

We expect to report positive income before profit transfer in 2013. Assuming that the economic environment does not alter, we expect output to be between 8 and 9 billion tablets in 2014, with the sales and earnings situation remaining stable and comparable to 2013. In view of the invoicing model for contract manufacturing, the development of sales is mainly influenced by cost trends.

Personnel expenses are expected to rise as a result of collectively agreed pay rises and changes in pension obligations. Further cost rises are likely for energy supply and depreciation of planned capital expenditures, especially for the introduction of NewMES. The NewMES project comprises replacing the process control system and installing a new manufacturing execution system. The new system will modernize production workflows, for example, by shifting from paper-based to digital batch documentation, integrating production in Bitterfeld better into the planning process at Bayer Consumer Care, and increasing flexibility thanks to the use of a modern software platform.

A slight reduction in revenues from the industrial park activities is expected as a result of an additional leasing model for the steam supply network and a reduction in services.

Implementation of the GAC 2015 strategy for the Bayer Group and bundling of accounting activities at shared service centers will alter local process workflows. The introduction of various standard Bayer IT programs will optimize workflows, reduce complexity and increase the speed and security of accounting processes. The changeover at the company will take place in June 2013.

Bitterfeld-Wolfen, May 6, 2013

Managing Director

____
Dr. Schleicher

Income Statement of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, for the period from January 1 to December 31, 2012

	2011	2012
	€	€
Sales	**56,050,831**	**59,346,829**
Cost of goods sold	(49,794,048)	(54,123,019)
Gross profit	**6,256,783**	**5,223,810**
General administration expenses	(1,376,703)	(1,181,551)
Other operating income	81,329	78,734
of which from currency translation	*[0]*	*[0]*
Other operating expenses	(74,889)	(83,521)
of which from currency translation	*[0]*	*[0]*
Operating result	**4,886,520**	**4,037,472**
Other interest and similar income	2,333,680	734,735
of which from affiliated companies	*[2,333,680]*	*[734,735]*
of which income resulting from discounting of provisions	*[0]*	*[0]*
Interest and similar expenses	(7,765)	(16,812)
of which to affiliated companies	*[(6,660)]*	*[(16,812)]*
of which expenses for the interest portion of interest-bearing provisions and liabilities	*[(0)]*	*[(0)]*
	2,325,915	**717,923**
Other financial income (mainly from market valuation Pension Trust, gains from valuation of foreign currency amounts)	36,183	421,301
of which from currency translation	*[6,552]*	*[1,527]*
Other financial expenses (mainly interest expense from the valuation of pension provisions, losses on foreign currency valuation)	(446,425)	(653,540)
of which from currency translation	*[(1,388)*	*[(2,497)]*
of which interest portion of interest-bearing provisions and liabilities	*[(426,379)*	*[(458,190)]*
	(410,242)	**(232,239)**
Financial result	**1,915,673**	**485,684**
Income before income taxes	**6,802,193**	**4,523,156**
Expenses for profit transfer/income from assumption of losses	(7,444,358)	(4,523,156)
Net loss	**(642,165)**	**0**
Withdrawals from retained earnings	642,165	0
Distributable profit	**0**	**0**

Balance Sheet of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, as of December 31, 2012

	Dec. 31, 2011	Dec. 31, 2012
	€	€
ASSETS		
Noncurrent assets		
Intangible assets	3,190,411	4,412,461
Property, plant and equipment	55,241,905	56,960,135
	58,432,316	**61,372,596**
Current assets		
Inventories		
Raw materials, supplies and operating materials	574,297	876,653
	574,297	**876,653**
Receivables and other assets		
Trade accounts receivable	4,975,168	5,447,675
of which from affiliated companies	*[4,291,384]*	*[3,800,432]*
of which from other investments	*[0]*	*[0]*
of which from the parent company	*[0]*	*[0]*
of which due in > 1 year	*[0]*	*[0]*
Receivables from affiliated companies	199,059,168	193,098,336
of which from the parent company	*[199,049,471]*	*[193,098,336]*
of which due in > 1 year	*[0]*	*[0]*
Other assets	788,801	1,599,353
of which due in > 1 year	*[44,338]*	*[46,316]*
	204,823,137	**200,145,364**
Cash on hand and bank balances	338	2,664
	205,397,772	**201,024,681**
Deferred charges	**327,737**	**270,911**
Surplus from offsetting	**302,644**	**399,160**
	264,460,469	**263,067,348**

Balance Sheet of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, as of December 31, 2012

	Dec. 31, 2011	Dec. 31, 2012
	€	€
EQUITY AND LIABILITIES		
Equity		
Capital stock	58,800,000	58,800,000
Capital reserve	176,523,522	176,523,522
Other retained earnings	0	0
As of January 1	*[642,165]*	*[0]*
Allocation (Art. 67 para 1. EGHGB)	*[0]*	*[0]*
Withdrawal	*[(642,165)]*	*[0]*
As of December 31	*[0]*	*[0]*
Net income/loss	0	0
	235,323,522	**235,323,522**
Special items for investment grants and subsidies	**7,931,151**	**6,941,187**
Provisions		
Provisions for pensions and other post-employment benefits	3,856,498	5,075,384
Provisions for taxes	11,300	12,500
Miscellaneous provisions	5,686,954	6,409,422
	9,554,752	**11,497,306**
Other liabilities		
Trade accounts payable	3,490,965	3,992,548
of which to affiliated companies	*[608,595]*	*[884,511]*
of which to other investments	*[0]*	*[0]*
of which to the parent company	*[10,354]*	*[5,000]*
of which due in < 1 year	*[3,408,965]*	*[3,992,548]*
of which due in between 1 and 5 years	*[82,000]*	*[0]*
of which due in > 5 years	*[0]*	*[0]*
Payables to affiliated companies	7,444,358	4,523,169
of which to the parent company	*[7,444,358]*	*[4,523,169]*
of which due in < 1 year	*[7,444,358]*	*[4,523,169]*
of which due in between 1 and 5 years	*[0]*	*[0]*
of which due in > 5 years	*[0)*	*[0]*
Miscellaneous liabilities	715,721	789,616
of which for taxes	*[681,016]*	*[761,575]*
of which for social security	*[29,274]*	*[27,824]*
of which due in < 1 year	*[694,848]*	*[776,798]*
of which due in between 1 and 5 years	*[14,637]*	*[8,011]*
of which due in > 5 years	*[6,236]*	*[4,807]*
	11,651,044	**9,305,333**
	264,460,469	**263,067,348**

Note on contingent liabilities pursuant to Section 251 HGB: no contingent liabilities.

Changes in Noncurrent Assets of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, in the period from January 1 to December 31, 2012

	Gross carrying amounts						Net carrying amounts
	As of: Jan. 1, 2012	Additions	Transfers/ reclassifications	Retirements	As of: Dec. 31, 2012	Accumulated depreciation/ amortization/ write-downs As of: Dec. 31, 2012	As of: Dec. 31, 2012
	€	€	€	€	€	€	€
Intangible assets							
Concessions, industrial property rights, similar rights and assets and licenses thereunder	5,219,778	204,468	129,265	(33,608)	5,519,903	5,197,409	322,494
Advance payments	3,047,461	1,171,771	(129,265)	0	4,089,967	0	4,089,967
	8,267,239	**1,376,239**	**0**	**(33,608)**	**9,609,870**	**5,197,409**	**4,412,461**
Property, plant and equipment							
Land and buildings	97,342,888	562,879	(4,725)	0	97,901,042	70,521,607	27,379,435
Machinery and technical equipment	157,455,787	2,555,445	948,330	(831,243)	160,128,319	138,559,277	21,569,042
Furniture, fixtures and other equipment	13,178,615	825,309	16,152	(175,745)	13,844,331	12,052,553	1,791,778
Advance payments and assets under construction	2,934,471	4,245,166	(959,757)	0	6,219,880	0	6,219,880
	270,911,761	**8,188,799**	**0**	**(1,006,988)**	**278,093,572**	**221,133,437**	**56,960,135**
Total noncurrent assets	**279,179,000**	**9,565,038**	**0**	**(1,040,596)**	**287,703,442**	**226,330,846**	**61,372,596**

Changes in Noncurrent Assets of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, in the period from January 1 to December 31, 2012

	Depreciation/amortization/write-downs					
	As of: Jan. 1, 2012	Additions	Exceptional additions	Transfers/ reclassifications	Retirements	Accumulated depreciation/ amortization/ write-downs As of: Dec. 31, 2012
	€	€	€	€	€	€
Intangible assets						
Concessions, industrial property rights, similar rights and assets and licenses thereunder	5,076,828	154,189	0	0	(33,608)	5,197,409
Advance payments	0	0	0	0	0	0
	5,076,828	**154,189**	**0**	**0**	**(33,608)**	**5,197,409**
Property, plant and equipment						
Land and buildings	68,583,125	1,938,482	0	0	0	70,521,607
Machinery and technical equipment	135,413,105	3,977,415	0	0	(831,243)	138,559,277
Furniture, fixtures and other equipment	11,673,626	551,956	0	0	(173,029)	12,052,553
Advance payments and assets under construction	0	0	0	0	0	0
	215,669,856	**6,467,853**	**0**	**0**	**(1,004,272)**	**221,133,437**
Total depreciation, amortization and write-downs	**220,746,684**	**6,622,042**	**0**	**0**	**(1,037,880)**	**226,330,846**

Notes to the Financial Statements of Bayer Bitterfeld GmbH, Bitterfeld-Wolfen, for fiscal 2012

GENERAL

The financial statements of Bayer Bitterfeld GmbH are prepared in accordance with the German Commercial Code (HGB) and the German Energy Management Act (EnWG). Bayer Bitterfeld GmbH owns a supply network for electricity and natural gas and is therefore classified as an energy supply company within the meaning of Section 3 No. 18 of the German Energy Management Act (EnWG). The company leases the electricity and gas network to EVIP GmbH. In addition, Bayer Bitterfeld GmbH is affiliated to the vertically integrated energy supply company Currenta GmbH & Co. OHG, Leverkusen, Germany, and is thus also classified as a vertically integrated energy supply company within the meaning of Section 3 No. 38 EnWG.

As a wholly owned subsidiary of Bayer AG, since its establishment in 1992 the company has been included in the consolidated financial statements of Bayer AG, Leverkusen, Germany.
The consolidated financial statements of Bayer AG are submitted to the operator of the electronic Federal Gazette and published electronically under commercial register no. HRB 48248.

Bayer Bitterfeld GmbH is a large stock corporation within the meaning of Section 267 Paragraph 3 of the German Commercial Code (HGB). When preparing the annual financial statements for Bayer Bitterfeld GmbH, the regulations on the presentation and disclosure of items in the balance sheet and income statement for large stock corporations are taken into account. The presentation is supplemented by the items miscellaneous financial income and miscellaneous financial expense. The operating income and financial income are shown by additional subtotals. To enhance clarity, certain items are combined in the the balance sheet and income statement. These items are explained separately in the notes.

RECOGNITION AND VALUATION PRINCIPLES

Acquired **intangible assets** are carried at the cost of acquisition and amortized using the straight-line method. They are written down if a loss of value is expected to be permanent. A write-back is recognized as soon as the reason for the write-down ceases to apply.

Additions to **property, plant and equipment** are recognized at cost of acquisition less any discounts received. Retirements are recognized as of the date of physical retirement. Depreciation is based on the customary useful lives for the sector.

Where the cost of acquisition was above €150 and below €1,000, in 2008 and 2009, the ruling on the aggregation of items was used analogously to Section 6 Paragraph 2a of the German Income Tax Act (EStG). From January 1, 2008 these low-value items were aggregated in a single item in the year of acquisition and depreciated over five years using the straight-line method. Assets whose cost of acquisition did not exceed €150 were written down immediately. Since 2010, assets costing up to €410 have been written down immediately. Assets costing more than €410 are depreciated over their useful lives.

Until December 31, 2008, depreciation was calculated using the straight-line method and the declining balance method, using the highest rates permitted by the applicable tax regulations. Where the declining balance method was used, depreciation was switched to the straight-line method as soon as this resulted in higher depreciation rates. Following the transition to the regulations of the German Accounting Law Modernization Act (BilMoG) as of January 1, 2009 and the related restraint from tax valuations of additions to assets, for the period after December 31, 2008 the straight-line depreciation method has been used for all additions to property,plant and equipment in the commercial accounts. Depreciation that commenced prior to this date has been continued using the method originally applied. The provisions of tax law are not applied. The change in the recognition of property, plant and equipment under BilMoG has no impact on the assets and earnings position. Write-downs are made for reductions in value that are expected to be permanent. These are written back as soon as the reason for the write-down no longer applies.

Useful life of property, plant and equipment

Outdoor infrastructure and plant installations	5 to 33 years
Machinery and apparatus	generally 10 and 12 years
Laboratory and research facilities	generally 5 years
Storage tanks and pipelines	10 to 20 years
Vehicles	generally 5 years
Computer equipment	3 to 5 years
Furniture, fixtures and other equipment	4 to 10 years

The company has no self-produced property, plant and equipment.

Raw materials, supplies and operating materials included in **inventories** are carried at the average cost of acquisition (moving average prices). Write-downs are made where necessary to the market or fair value.

Receivables and other assets are carried at nominal value less appropriate individual and flat-rate write-downs. The level of individual write-downs depends on the probable risk of default and maturity. To cover the general credit risk, flat-rate write-downs on trade accounts receivable are calculated as 2% of total receivables less value-added tax. If the reasons for individual write-downs made in the past no longer apply, the respective items are written back. Interest-free receivables or receivables that bear low interest rates and are due in more than one year are recognized at discounted value.

Cash and cash equivalents are carried at nominal value.

Deferred charges are pro rata accruals for expenses relating to future periods.

The amounts required to meet pension obligations and credit balances on employee's worktime accounts are invested in segregated investment funds. These are administered on behalf of Bayer AG by Bayer Pension Trust e.V., Leverkusen, Germany, and are protected from other creditors. The amounts are recognized at fair value based on the underlying obligations. If the obligations exceed the assets, a provision is recorded. If the value of the securities exceeds the obligations, it is recorded in the statement of financial position as a **surplus from offsetting.**

The **capital stock** is carried at nominal value.

The special items for investment grants and subsidies reflect subsidies that have not yet been released to income. When they are released, depreciation on the income statement is reduced.

Provisions for pensions and other post-employment benefits and other actuarial pension obligations are calculated using actuarial methods based on the biometric probability (Heubeck 2005 G reference tables). Since 2008, the projected unit credit method has been used to calculate such obligations. Expected future salary and pension increases, including salary trends, are taken into account. As in the previous year, we currently assume annual salary increases of 3.00% and still assume annual pension increases of 1.75% p.a. Notwithstanding this, for pension commitments granted since January 1, 2000, an annual pension rise of 1.00 % is calculated; this is a firm commitment to the employees.

The discount factor used for pension provisions was 5.05% as of December 31, 2012 (2011: 5.14%), which is the average market interest rate for the past seven years for instruments with an assumed remaining maturity of 15 years, as determined and published by the Deutsche Bundesbank.

A tax provision was established on the basis of an appropriate estimate for the flat-rate wage tax to be transferred to the fiscal authorities.

Other provisions are established to cover all foreseeable risks and uncertain liabilities and are based on the probable settlement amounts (Section 253 Paragraph 1 Sentence 2 German Commercial Code / HGB). Appropriate account is taken of price and cost increases. Provisions due in more than one year are discounted to the present value using the average market interest rate for the past seven years, based on their remaining maturities in accordance with the German Ordinance on the Discounting of Provisions of November 18, 2009.

Liabilities are recognized at the settlement amount.

Current **foreign currency** receivables and payables are recognized at the spot rate on the balance-sheet date. Where they are due in more than one year, recognition is based on the cost of acquisition, and the principle of prudence and realization.

Currency translation gains and losses are included in miscellaneous financial income and miscellaneous financial expenses. No hedging was undertaken.

Since Bayer Bitterfeld GmbH forms a tax entity with Bayer AG, **deferred taxes** relating to differences between the valuation of assets and liabilities in the commercial accounts and those prepared for tax purposes are attributable to Bayer AG and are therefore not included in the financial statements of Bayer Bitterfeld GmbH.

NOTES TO THE BALANCE SHEET

Noncurrent assets

The attached schedule of noncurrent assets presents the noncurrent assets and changes therein.

Inventories

Inventories of raw materials, supplies and operating materials totaled €877 thousand (2011: €574 thousand).

Trade accounts receivable

Trade accounts payable amount to €5,448 thousand (2011: €4,975 thousand). All receivables are due within one year.

Receivables from affiliated companies

Receivables from affiliated companies total €193,098 thousand (2011: €199,059 thousand) and are mainly financial receivables relating to the investment of overnight funds.

Other assets

Other assets include investment subsidies of €792 thousand (2011: €623 thousand) based on applications which have been submitted for 2010 and 2011 or which will be submitted for 2012. Further, this item includes a claim from reimbursement from a supplier amounting to €592 thousand.

Deferred charges

The deferred charges principally relate to advance payment of business insurance premiums totaling €194 thousand (2011: €200 thousand).

Surplus from offsetting

Obligations relating to credit balances on employees' worktime accounts and pension commitments are secured by assets invested with Bayer Pension Trust e.V., Leverkusen, Germany, through a contractual trust arrangement (CTA). These assets may only be used for the purpose of meeting these obligations and are protected from other creditors. They have been offset against the underlying obligations. In 2012 the offset resulted in a positive difference of €399 thousand, of which €345 thousand relates to pension commitments and €54 thousand to obligations arising from worktime accounts.

	2011	2012
	€ thousand	€ thousand
Settlement value of obligations relating to credit balances on employees' worktime accounts	200	250
Fair value of assets invested with Bayer Pension Trust	229	304
Differences between assets and obligations relating to worktime accounts (surplus from offsetting)	**29**	**54**
Acquisition cost of assets invested with Bayer Pension Trust	215	270

	2011	2012
	€ thousand	€ thousand
Settlement value of pension obligations	2,879	3,483
Fair value of assets invested with Bayer Pension Trust	3,152	3,828
Differences between assets and obligations relating to pension commitments (surplus from offsetting)	**273**	**345**
Acquisition cost of assets invested with Bayer Pension Trust	3,078	3,364

The assets principally comprise units held in segregated investment funds, and to a small extent, bank balances. In the case of fund units, the fair value shown in the above table was derived from the stock market price on the balance-sheet date. The increase in commitments compared with the previous year is mainly due to the restructuring of pension plans.

Special items for investment grants and subsidies

These special items comprise public grants and construction subsidies from partners at the industrial park and are released on a pro rata basis. €1,159 thousand was released in 2012 (2011: €1,158 thousand). This reduces depreciation of the respective assets.

Provisions for pensions and other post-employment benefits

This item includes provisions for current and future pension entitlements.

Some obligations arising from pension commitments are secured by assets invested with Bayer Pension Trust e.V., Leverkusen, Germany, under a contractual trust arrangement. These assets may only be used for the purpose of meeting these pension obligations and are protected from other creditors. They were offset against the underlying obligations. They principally comprise units held in segregated investment funds, and to a small extent, bank balances. In the case of investment fund units, the fair value of the trust assets was derived from the stock market prices of the fund assets on the closing date for the financial statements.

	2011	2012
	€ thousand	€ thousand
Settlement value of pensions and other post-employment benefit obligations	3,899	5,402
Settlement value of pensions and other post-employment benefit obligations Fair value of assets invested with Bayer Pension Trust	43	327
Net value of pension and other post-employment benefit obligations (provision)	**3,856**	**5,075**
Acquisition cost of assets invested with Bayer Pension Trust	21	323

The year-on-year rise in obligations is principally due to the restructuring of pension plans and an increase in assumption of the pension fund's obligation to raise pensions.

Provisions for taxes
A **tax provision** was established on the basis of an appropriate estimate of the flat-rate wage tax payable to the fiscal authorities.

Other provisions
Provisions were established for obligations under the senior part-time working program, long-service anniversaries, payments to employees in excess of the collectively agreed rates, vacation entitlements, worktime accounts, outstanding invoices and other uncertain liabilities.

Other liabilities
The payables to affiliated companies comprise the profit transfer to Bayer AG.
Of the payables for social security, €13 thousand are due in more than one year.
All other liabilities are are due within one year.

NOTES TO THE INCOME STATEMENT
Sales
The company's sales are divided into revenues from contract manufacturing for Bayer Consumer Care AG, Basel, Switzerland, and the provision of infrastructure services and the sale of goods purchased for resale to other companies at the industrial park.

Sales by business activity

	2011	2012
	€ thousand	€ thousand
Contract manufacturing Bayer Consumer Care AG	43,418	46,302
Infrastructure services and sale of goods purchased for resale IAB Ionenaustauscher GmbH Bitterfeld	3,807	4,058
Dow Wolff Cellulosics GmbH	3,255	3,653
Viverso GmbH (ab 2012: Nuplex Resins GmbH)	4,626	4,454
Envia Infra (ab 07/2012 EVIP GmbH)	230	204
Other	715	676
Total	**56,051**	**59,347**

Sales by region

	2011	2012
	€ thousand	€ thousand
Germany	12,633	13,045
Other European countries	43,418	46,302
Summe	**56,051**	**59,347**

	2012
	€ thousand
Leasing of power network	174
Leading of natural gas network	30
Total	**204**

Cost of goods sold

The cost of goods sold was €54,123 thousand (2011: €49,794 thousand).

Other operating income

	2011	2012
	€ thousand	€ thousand
Income from insurance claims	5	34
Handling of third party business (MEB project)	32	–
Gains from the sale of plant components	12	5
Prior-period income	–	37
Miscellaneous income	32	3
Total	**81**	**79**

Other operating expenses

	2011	2012
	€ thousand	€ thousand
Expenses from insurance claims	5	41
Insurance against terrorism	27	26
Losses from the retirement of noncurrent assets	25	3
Miscellaneous expenses	18	14
Total	**75**	**84**

Net interest income

The net interest income is attributable to interest from the overnight funds account at Bayer AG.

Miscellaneous financial income

	2011	2012
	€ thousand	€ thousand
Income from assets invested with Bayer Pension Trust	21	419
Realized currency translation gains	7	2
Miscellaneous income	8	–
Total	**36**	**421**

Miscellaneous financial expenses

	2011	2012
	€ thousand	€ thousand
Interest portion of pension provisions	444	650
Realized currency translation losses	1	2
Miscellaneous expenses	1	1
Total	**446**	**653**

Cost of materials

	2011	2012
	€ thousand	€ thousand
Expenses for raw materials, supplies and operating materials	1,181	1,283
Expenses for purchased services	14,682	16,375
Total	**15,863**	**17,658**

Personnel expenses

	2011	2012
	€ thousand	€ thousand
Wages and salaries	19,510	19,947
Social security and pension expenses	4,491	5,893
Total	**24,001**	**25,840**

Number of employees

	2011	2012
FTE, annual average		
Production	319,7	313,9
Administration	51,1	51,1
Total	**370,8**	**365,0**

Other information
Miscellaneous financial obligations

	Stand: 31.12.2012
	€ thousand
Obligations under rental agreements	1,808
Obligations under call-off agreements	502
Approved capital expenditures for property, plant and equipment (purchase order commitments)	1,524
Total	**3,834**
of which to affiliated companies	300

Audit fees
Details of audit fees are contained in Bayer's consolidated financial statements. The company therefore utilizes exemption from the disclosure of audit fees as permitted by Section 285 No. 17 of the German Commercial Code (HGB).

Disclosures in accordance with Section 6b Paragraph 2 of the German Energy Management Act (EnWG)
There were no unusual business activities in the field of energy supply whose significance was not negligible for the assets and earnings of Bayer Bitterfeld GmbH and that the company is required to disclose in accordance with Section 6b Paragraph 2 of the German Energy Management Act (EnWG).

Amounts subject to restrictions on distribution and transfer
The total value of amounts subject to distribution restrictions as a result of the fair value measurement of trust assets is €502 thousand.

Supervisory Board
Dr. Hartmut Klusik (Chairman) until December 31, 2012
Member of the Management Board of Bayer HealthCare AG

Günther Bonck (Deputy Chairman) until December 31, 2012
Chairman of the Works Council of Bayer Bitterfeld GmbH

Dr. Thomas Wozniewski until December 31, 2012
Head of Product Supply, Bayer Consumer Care AG

Management
As of December 31, 2012, the sole managing director was Dr. Christian Schleicher, pharmacist

The company refrains from disclosing the total compensation of the managing director as permitted by Section 286 Paragraph 4 of the German Commercial Code (HGB) as his personal income could be derived from this information.

Bitterfeld, May 6, 2013

Bayer Bitterfeld GmbH
Dr. Schleicher, Managing Director

____
Dr. Schleicher

CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

in the form of an

Amendment Agreement to the Profit and Loss Transfer Agreement dated March 8, 2002,

between

Bayer Aktiengesellschaft, Leverkusen, (“BAYER”)

and

Bayer Innovation GmbH, Leverkusen, (“BI”)

The Parties entered into a Profit and Loss Transfer Agreement on March 8, 2002. To reflect the subsequent change in the company’s name to BI (formerly “Bayer Innovation Beteiligungsgesellschaft mbH, Leverkusen”) and the amendments to statutory provisions, the Parties have amended the Agreement in its entirety as follows, adding the element of control:

§ 1. Management

(1) BI places the management of its company under the control of BAYER. BAYER is thus entitled to issue instructions to the Management of BI with regard to the management of the company. The provisions of section 308 of the AktG, as amended, shall apply, with the necessary modifications.

(2) BAYER shall only exercise its right to issue instructions through the Board of Management. Any instruction must be issued in writing.

§ 2. Profit Transfer

(1) BI agrees to transfer its entire profit to BAYER. The provisions of section 301 of the AktG, as amended, shall apply, with the necessary modifications.

(2) BI may transfer amounts from its net income for the year to other retained earnings (section 272(3) of the German Commercial Code (HGB)) with BAYER’s consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the term of the Agreement in accordance with section 272(3) of the HGB shall be released if required by BAYER.

(3) The transfer of amounts resulting from the release of other retained earnings in accordance with section 272(3) of the HGB created before the commencement of this Agreement or from capital reserves is excluded.

§ 3. Absorption of Losses

The provisions of section 302 of the AktG, as amended, shall apply, with the necessary modifications.

§ 4. Effective Date and Duration

(1) This Agreement requires the approval of the Annual Stockholders' Meeting of BAYER and the Annual Members' Meeting of BI.

(2) The amended Agreement shall take effect upon entry in the commercial register at the domicile of BI and shall apply retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. The right to issue instructions can only be exercised after the Agreement has been entered as amended in the commercial register at the domicile of BI. The original version of the Agreement shall apply for the period prior to the effective date of the Amendment Agreement.

(3) The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the amended Agreement takes effect. If the Agreement is not terminated, it shall be automatically extended by one fiscal year in each case, subject to the same notice period.

(4) The right to terminate the Agreement for good cause without compliance with any notice period is not affected. In particular, BAYER is entitled to terminate the Agreement for good cause if it no longer holds a majority interest in BI, another investor has acquired a stake in BI, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. Good cause for extraordinary termination shall also extend, in particular, to the merger, split-off, or liquidation of one of the Parties.

§ 5. Other Provisions

The ineffectiveness or unenforceability of one or more provisions of this Agreement shall not affect the validity of the remaining provisions.

Leverkusen, February 17, 2014

Bayer Aktiengesellschaft

Leverkusen, February 17, 2014

Bayer Innovation GmbH

JOINT REPORT

by the Board of Management of Bayer Aktiengesellschaft, Leverkusen, ("BAYER")

and the

Management of Bayer Innovation GmbH, Leverkusen, ("BI")

on the Control and Profit and Loss Transfer Agreement dated February 17, 2014

in accordance with section 293a of the German Stock Corporation Act (AktG)

In order to inform their stockholders and members and to prepare the resolution for the Annual Stockholders' Meeting of BAYER and the Annual Members' Meeting of BI, the Board of Management of BAYER and the Management of BI are submitting the following joint report on the Control and Profit and Loss Transfer Agreement dated February 17, 2014, between BAYER and BI in the form of an Amendment Agreement to the Profit and Loss Transfer Agreement dated March 8, 2002:

1. AMENDMENT AGREEMENT; EFFECTIVE DATE

The Amendment Agreement to the Profit and Loss Transfer Agreement dated March 8, 2002, was entered into on February 17, 2014. It will be submitted for approval in accordance with sections 293 and 295 of the AktG to BAYER's Annual Stockholders' Meeting on April 29, 2014. It is planned that BI's Annual Members' Meeting will approve the conclusion of the Amendment Agreement by way of a notarized resolution dated February 27, 2014. The Amendment Agreement must also be entered in the commercial register at the domicile of BI in order to take effect.

2. PARTIES TO THE AGREEMENT

BAYER is a German stock corporation (Aktiengesellschaft) entered in the commercial register of the Cologne Local Court (Amtsgericht) under the number HRB 48248 with its registered office in Leverkusen. BAYER's fiscal year is the calendar year. According to the company's Articles of Incorporation, the purpose of the company is manufacturing, marketing and other industrial activities, or the provision of services, in the fields of health care, agriculture, polymers and chemicals. BAYER is the parent company of the Bayer Group. The Bayer Group conducts its operations in three subgroups: Bayer HealthCare, Bayer Crop-Science and Bayer MaterialScience. These are supported by three service companies.

BAYER's total assets in 2011 and 2012 were approximately €38 billion and approximately €36 billion, respectively, and its distributable profit was €1,364 billion in 2011 and €1,571 billion in 2012. In 2013, total assets were approximately €38 billion and distributable profit was €1,764 million.

BI is a German limited liability company (Gesellschaft mit beschränkter Haftung) entered in the commercial register of the Cologne Local Court under the number HRB 75154. It was formerly known as Bayer Innovation Beteiligungsgesellschaft mbH, Leverkusen. Its fiscal year is the calendar year. The company's registered office is in Leverkusen. BI's capital stock amounts to €26,000. The sole member is BAYER. According to the Shareholder Agreement, the purpose of the company is to search for and develop new, innovative areas of business and business concepts. This business purpose is currently pursued only to a limited extent. At present, the company concentrates on realizing existing assets. This activity might be completed in 2014, following which the company will serve as a shelf company for Bayer AG until further notice.

BI's total assets in fiscal years 2010, 2011 and 2012 were €52.2 million, €48.5 million, €39.8 million, and €34.9 million, respectively. In those years, Bayer AG offset losses of €25.6 million, €43.5 million, €14.2 million and €495,147 million by way of loss absorption. The losses primarily resulted from the pursuit of BI's specific business purpose – performing research and development work for the Bayer Group. In 2011, earnings were also reduced on a single occasion by a write-down of an investment in the amount of €23.7 million.

3. EXPLANATION OF THE AMENDMENT AGREEMENT

1. Management

In accordance with the new provision incorporated into § 1 of the Control and Profit and Loss Transfer Agreement, as amended by the Amendment Agreement, BI places the management of its company under the control of BAYER. BAYER is entitled to issue instructions to the Management of BI with regard to the management of the company. To the extent that no instructions are issued, the Management of BI manages the company at its own responsibility.

The right to issue instructions is determined in accordance with section 308 of the AktG. BI is required to follow legitimate instructions. Instructions can also be issued that are detrimental to BI if they serve the interests of BAYER and companies that are members of the Bayer Group. The Management is not required to comply with any prohibited instructions, for example, instructions that would violate mandatory statutory provisions if they were to be followed. Furthermore, no instruction to amend, maintain, or terminate the Agreement may be issued.

2. Profit Transfer

In accordance with § 2 of the Agreement, as amended by the Amendment Agreement, BI agrees to transfer its entire profit to BAYER. Subject to the creation or release of reserves, net income for the year before transfer of profit, reduced by any loss carried forward from the previous year and by the amount subject to a restriction on distribution in accordance with section 268(8) of the HGB, must be transferred. BI may transfer amounts from net income for the year to other retained earnings with BAYER's consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the course of the Agreement must be released if required by BAYER and must be used to offset the net loss for any year or transferred as profit. These provisions correspond to the restrictions on transferring profit set out in section 301 of the AktG that apply in this case, with the necessary modifications. Section 301 of the AktG, as amended, also applies, with the necessary modifications.

In this respect, there are no material changes from the corresponding provision of the original version of the Agreement. Aside from minor, insignificant editorial changes, the amendments essentially relate solely to the provisions of section 301 of the AktG, whose application with the necessary modifications had already been prescribed in the original Agreement. There is also a dynamic reference to section 301 of the AktG ("as amended").

3. Absorption of Losses

In accordance with § 3 of the Agreement, as amended by the Amendment Agreement, BAYER is required to absorb the losses in accordance with section 302 of the AktG, as amended. Pursuant to section 302 of the AktG, BAYER is obligated to compensate any net loss for the year arising during the term of the Agreement to the extent that it is not offset by withdrawing amounts from other retained earnings that were transferred to them during the course of the Agreement. By way of application of section 302(3) of the AktG, with the necessary modifications, BI may not waive or settle the claim to have losses offset until three years after the date on which entry of the termination of the Agreement in the commercial register is deemed to have been announced. In accordance with section 302(4) of the AktG, the statute of limitation for any claims by BI is ten years starting from the day on which notice of the entry of the termination of the Agreement in the commercial register has been announced pursuant to section 10 of the HGB.

The provision on the absorption of losses also remains essentially unchanged. The only material change is the dynamic reference to section 302 of the AktG ("as amended").

4. Effective Date and Duration

The Agreement, as amended by the Amendment Agreement, takes effect upon entry in the commercial register at the domicile of BI and applies retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. For the period prior to the effective date of the Agreement, as amended by the Amendment Agreement, the original Agreement dated March 8, 2002, applies. This explains the order of the phased applicability of the different versions.

The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the Agreement, as amended by the Amendment Agreement, takes effect. A minimum term of five years from the effective date of the Agreement, as amended, is again agreed in this respect.

If the Agreement is not terminated, it will be automatically extended by one fiscal year in each case, subject to the same notice period. The existing requirement continues to apply in this respect.

In addition, the Agreement can be terminated for good cause without compliance with any notice period. This applies especially to BAYER in the event that BAYER no longer holds a majority interest in BI, another investor has acquired a stake in BI, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. In accordance with R 60(6) sentence 2 of the KStR of 2004, good cause for extraordinary termination also extends to the sale or contribution of the tax group subsidiary by the tax group parent as well as to the merger, split-off, or liquidation of the tax group parent or the tax group subsidiary. The latter case is explicitly defined in the Agreement as good cause. The reasons for termination for good cause are thus specified in greater detail than in § 3 of the original Agreement. The only new feature is the possibility to terminate the Agreement in the event of the merger, split-off, or liquidation of one of the Parties. This is advisable as set out in administrative order R 60(6) sentence 2 of the KStR of 2004.

5. Miscellaneous

The amended Agreement, like the original Agreement, does not provide for any compensation payments or any settlement for noncontrolling interest shareholders because BAYER is the sole member of BI.

Since BAYER holds all of the shares of BI, no examination of the Amendment Agreement by an expert auditor (contract auditor) is required under section 293b(1) of the AktG, with the necessary modifications, and no report on any audit must be prepared under section 293e of the AktG.

4. ECONOMIC IMPORTANCE AND PURPOSE OF THE AMENDMENT AGREEMENT

The Amendment Agreement primarily serves the purpose of maintaining the consolidated tax group between BAYER and BI. With regard to the obligation to absorb losses in particular, a dynamic reference to section 302 of the AktG must be made because such a reference requires the application section 17 sentence 2 no. 2 of the German Corporate Income Tax Act (KStG) since its most recent amendment. In addition, section 14(1) sentence 1 no. 3 of the KStG sets out that the Profit and Loss Transfer Agreement must be concluded for a minimum of five years. While section 34(10b) sentence 4 of the KStG establishes that amendment agreements relating to the dynamic reference to section 302 of the AktG are not considered new agreements for the application of section 14(1) sentence 1 no. 3 of the KStG, it is unclear whether this also applies to agreements that contain further changes, especially where, as in this case, a control element is added.. To avoid these interpretation difficulties and the associated possible disallowance of the consolidated tax group, it is agreed that notice of termination may not be given prior to the expiration of five years after the entry into force of the amended Agreement. This is because it is assumed that the amended Agreement will have a term of at least five years.

The consolidated tax group for corporate income tax and trade tax purposes thus maintained results in consolidated taxation of BI (the tax group subsidiary) and BAYER (the tax group parent). This enables profits and losses to be offset against each other for tax purposes. Only BAYER as the tax group parent is thus liable for corporate income tax and trade tax. The Amendment Agreement therefore still enables the tax-optimized recognition of the profits and losses of BI in the context of a consolidated tax group for corporate income tax and trade tax purposes.

The new requirements concerning the management of BI that have been included in the Amendment Agreement will strengthen BAYER’s authorization to manage the Group, including in relation to potential detrimental instructions possibly serving the interests of the Group.

Apart from this, no material changes to the content have been made; most of the modifications merely entail editorial changes. The changes therefore do not have any financial or operating effects for the companies involved.

On the whole, the Agreement, as amended by the Amendment Agreement, contains the standard provisions agreed when a group of companies is established.

5. ALTERNATIVES TO ENTERING INTO THE CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

There was no economically reasonable alternative to entering into the Amendment Agreement between BAYER and BI that could have achieved the objectives described above in the same manner or better. In particular, entering into other types of intercompany agreement within the meaning of section 292 of the AktG (agreement to lease a business, agreement to transfer a business, profit pooling, or partial profit transfer agreement) or a management agreement cannot maintain the consolidated taxation of BAYER and BI.

Additionally, BAYER’s right to issue instructions cannot be achieved in an identical or better manner by means of a different measure.

Leverkusen, February 17, 2014

Bayer Aktiengesellschaft
The Board of Management

Marijn Dekkers
Dr. Dekkers

Baumann

König

Malik

Dr. Plischke

Leverkusen, February 17, 2014

Bayer Innovation GmbH
Executive Board

Dr. Meier

J. Rebenich
Rebenich

Income Statement of Bayer Innovation GmbH, Düsseldorf, for the period from January 1 to December 31, 2011

	2010	2011
	€	€
Sales	**317,315**	**196,434**
Gross profit	**317,315**	**196,434**
Research expenses	(19,306,128)	(15,930,808)
General administration expenses	(4,199,868)	(4,351,114)
Other operating income	73,925	954,958
Other operating expenses	(236,501)	(556,642)
Operating result	**(23,351,257)**	**(19,687,172)**
Income from profit and loss transfer agreements with affiliated cos,	0	916,568
Expenses from profit and loss transfer agreements with affiliated cos,	(2,098,643)	(12,368)
Write-downs of investments	0	(23,700,000)
Losses from the sale of investments	0	(916,568)
	(2,098,643)	**(23,712,368)**
Other interest and similar income	53,814	88,188
of which from affiliated companies	*[24,630]*	*[57,523]*
of which income resulting from discounting of provisions	*[1,368]*	*[0]*
Interest and similar expenses	(213,610)	(155,974)
of which to affiliated companies	*[(13,599)]*	*[(37,105)]*
of which interest portion of interest-bearing provisions and liabilities	*[(95,108)]*	*[(103,290)]*
	(159,796)	**(67,786)**
Miscellaneous financial income	156,206	52,249
of which from currency translation	*[154,501]*	*[51,865]*
Miscellaneous financial expenses	(141,394)	(76,947)
of which from currency translation	*[(141,289)]*	*[(76,615)]*
	14,812	**(24,698)**
Financial result	**(2,243,627)**	**(23,804,852)**
Income before income taxes	**(25,594,884)**	**(43,492,024)**
Income from assumption of losses	25,594,884	43,492,024
Net income/loss	**0**	**0**

Balance Sheet of Bayer Innovation GmbH, Düsseldorf, as of December 31, 2011

	Dec. 31, 2010	Dec. 31, 2011
	€	€
ASSETS		
Noncurrent assets		
Intangible assets	1,296,436	699,074
Property, plant and equipment	791,553	2,758,025
Investments	23,816,912	123,496
	25,904,901	**3,580,595**
Current assets		
Receivables and other assets		
Receivables from affiliated companies	25,780,546	43,548,256
of which from the parent company	*[25,717,064]*	*[43,548,256]*
Other assets	549,071	1,356,717
of which due in > 1 year	*[549,071]*	*[372,981]*
	26,329,617	**44,904,973**
Surplus from offsetting	**0**	**4**
	52,234,518	**48,485,572**
EQUITY AND LIABILITIES		
Equity		
Capital stock	26,000	26,000
Capital reserve	33,265,867	33,265,867
Retained earnings	427,425	427,425
Net income/loss	0	0
	33,719,292	**33,719,292**
Provisions		
Provisions for pensions and other post-employment benefits	1,328,841	1,618,054
Other provisions	2,980,839	1,929,789
	4,309,680	**3,547,843**
Other liabilities		
Trade accounts payable	1,077,933	1,197,043
of which to affiliated companies	*[926,965]*	*[0]*
of which to the parent company	*[34,374]*	*[0]*
of which due in < 1 year	*[1,077,933]*	*[1,197,043]*
Payables to affiliated companies	12,709,982	12,368
of which to the parent company	*[7,442,619]*	*[0]*
of which due in < 1 year	*[12,709,982]*	*[12,368]*
Miscellaneous liabilities	417,631	10,009,026
of which for taxes	*[50,259]*	*[37,117]*
of which for social security	*[3,592]*	*[2,395]*
	14,205,546	**11,218,437**
	52,234,518	**48,485,572**

Leverkusen, April 18, 2012

Bayer Innovation GmbH
Managing Director

D. Wolle
Dr. Wollweber

Changes in Noncurrent Assets of Bayer Innovation GmbH, Düsseldorf, in the period from January 1 to December 31, 2011

	Gross carrying amounts						Net carrying amounts
	As of: Jan. 1, 2011	Additions	Transfers/ reclassi- fications	Retirements	As of: Dec. 31, 2011	Accumulated depreciation/ amortization/ write-downs As of: Dec. 31, 2011	As of: Dec. 31, 2011
	€	€	€	€	€	€	€
Intangible assets							
Concessions, industrial property rights, similar rights and assets and licenses thereunder	2,325,656	50,000	0	(9,550)	2,366,106	1,667,032	699,074
	2,325,656	**50,000**	**0**	**(9,550)**	**2,366,106**	**1,667,032**	**699,074**
Property, plant and equipment							
Machinery and technical equipment	1,052,709	0	0	0	1,052,709	1,052,709	0
Furniture, fixtures and other assets	224,799	1,121	0	0	225,920	181,200	44,720
Advance payments and assets under construction	723,439	1,989,866	0	0	2,713,305	0	2,713,305
	2,000,947	**1,990,987**	**0**	**0**	**3,991,934**	**1,233,909**	**2,758,025**
Investments							
Investments in affiliated companies	23,700,000	0	0	(23,700,000)	0	0	0
Loans to affiliated companies	0	0	0	0	0	0	0
Other investments	25,000	0	0	0	25,000	0	25,000
Other loans	91,912	6,584	0	0	98,496	0	98,496
	23,816,912	6,584	0	(23,700,000)	123,496	0	123,496
Total noncurrent assets	**28,143,515**	**2,047,571**	**0**	**(23,709,550)**	**6,481,536**	**2,900,941**	**3,580,595**

Changes in Noncurrent Assets of Bayer Innovation GmbH, Düsseldorf, in the period from January 1 to December 31, 2011

	Depreciation/amortization/write-downs					
	As of: Jan. 1, 2011	Additions	Exceptional additions	Transfers/ reclassifications	Retirements	Accumulated depreciation/ amortization/ write-downs As of: Dec. 31, 2011
	€	€	€	€	€	€
Intangible assets						
Concessions, industrial property rights, similar rights and assets and licenses thereunder	1,029,220	638,575	0	0	(763)	1,667,032
	1,029,220	**638,575**	**0**	**0**	**(763)**	**1,667,032**
Property, plant and equipment						
Machinery and technical equipment	1,052,709	0	0	0	0	1,052,709
Furniture, fixtures and other assets	156,685	24,515	0	0	0	181,200
Advance payments and assets under construction	0	0	0	0	0	0
	1,209,394	**24,515**	**0**	**0**	**0**	**1,233,909**
Investments						
Investments in affiliated companies	0	0	0	0	0	0
Loans to affiliated companies	0	0	0	0	0	0
Other investments	0	0	0	0	0	0
Other loans	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Total depreciation, amortization and write-downs	**2,238,614**	**663,090**	**0**	**0**	**(763)**	**2,900,941**

Income Statement of Bayer Innovation GmbH, Leverkusen, for the period from January 1 to December 31, 2012

	2011	2012
	€	€
Sales	**196,434**	**214,858**
Gross profit	**196,434**	**214,858**
Research expenses	(15,930,808)	(8,529,136)
General administration expenses	(4,351,114)	(5,260,168)
Other operating income	954,958	568,040
Other operating expenses	(556,642)	(1,340,613)
Operating result	**(19,687,172)**	**(14,347,019)**
Income from profit and loss transfer agreements with affiliated companies	916,568	0
Expenses from profit and loss transfer agreements with affiliated companies	(12,368)	0
Write-downs of investments	(23,700,000)	0
Losses from the sale of investments	(916,568)	0
	(23,712,368)	**0**
Other interest and similar income	88,188	224,076
of which from affiliated companies	*[57,523]*	*[186,274]*
Interest and similar expenses	(155,974)	(138,015)
of which to affiliated companies	*[(37,105)]*	*[(16,250)]*
of which interest portion of interest-bearing provisions and liabilities	*[(103,290)]*	*[(121,765)]*
	(67,786)	**86,061**
Miscellaneous financial income	52,249	190,292
of which from currency translation	*[51,865]*	*[16,242]*
Miscellaneous financial expenses	(76,947)	(118,389)
of which from currency translation	*[(76,615)]*	*[(19,139)]*
	(24,698)	**71,903**
Financial result	**(23,804,852)**	**157,964**
Income before income taxes	**(43,492,024)**	**(14,189,055)**
Income from assumption of losses	43,492,024	14,189,055
Net income	**0**	**0**

Balance Sheet of Bayer Innovation GmbH, Leverkusen, as of December 31, 2012

	Dec. 31, 2011	Dec. 31, 2012
	€	€
ASSETS		
Noncurrent assets		
Intangible assets	699,074	268,111
Property, plant and equipment	2,758,025	847,433
Investments	123,496	105,552
	3,580,595	**1,221,096**
Current assets		
Receivables and other assets		
Receivables from affiliated companies	43,548,256	37,989,530
of which from the parent company	*[43,548,256]*	*[37,989,530]*
Other assets	1,356,717	411,629
of which due in > 1 year	*[372,981]*	*[370,171]*
	44,904,973	**38,401,159**
Deferred charges	**0**	**996**
Surplus from offsetting	**4**	**220,735**
	48,485,572	**39,843,986**

Balance Sheet of Bayer Innovation GmbH, Leverkusen, as of December 31, 2012

	Dec. 31, 2011	Dec. 31, 2012
	€	€
EQUITY AND LIABILITIES		
Equity		
Capital stock	26,000	26,000
Capital reserve	33,265,867	33,265,867
Retained earnings	427,425	427,425
	33,719,292	**33,719,292**
Provisions		
Provisions for pensions and other post-employment benefits	1,618,054	722,251
Other provisions	1,929,789	4,116,872
	3,547,843	**4,839,123**
Other liabilities		
Trade accounts payable	1,197,043	1,021,544
of which to affiliated companies	*[0]*	*[638,063]*
of which to the parent company	*[0]*	*[1,667]*
of which due in < 1 year	*[1,197,043]*	*[1,021,544]*
Payables to affiliated companies	12,368	62,248
of which due in < 1 year	*[12,368]*	*[62,248]*
Miscellaneous liabilities	10,009,026	201,779
of which to the parent company	*[9,023,140]*	*[0]*
of which for taxes	*[37,117]*	*[23,347]*
of which for social security	*[2,395]*	*[1,197]*
	11,218,437	**1,285,571**
	48,485,572	**39,843,986**

Düsseldorf, November 19, 2013

Bayer Innovation GmbH
Executive Board

Dr. Stephan Meier

J. Rebenich

Jan. Rebenich

Changes in Noncurrent Assets of Bayer Innovation GmbH, Leverkusen, in the period from January 1 to December 31, 2012

	Gross carrying amounts						Net carrying amounts
	As of: Jan. 1, 2012	Additions	Transfers / reclassifications	Retirements	As of: Dec. 31, 2012	Accumulated depreciation/ amortization/ write-downs As of: Dec. 31, 2012	As of: Dec. 31, 2012
	€	€	€	€	€	€	€
Intangible assets							
Concessions, industrial property rights, similar rights and assets and licenses thereunder	2,366,106	900,000	0	0	3,266,106	2,997,995	268,111
	2,366,106	**900,000**	**0**	**0**	**3,266,106**	**2,997,995**	**268,111**
Property, plant and equipment							
Machinery and technical equipment	1,052,709	0	0	0	1,052,709	1,052,709	0
Furniture, fixtures and other assets	225,920	0	0	(65,871)	160,049	139,136	20,913
Advance payments and assets under construction	2,713,305	84,370	0	0	2,797,675	1,971,155	826,520
	3,991,934	**84,370**	**0**	**(65,871)**	**4,010,433**	**3,163,000**	**847,433**
Investments							
Other investments	25,000	0	0	(25,000)	0	0	0
Other loans	98,496	7,056	0	0	105,552	0	105,552
	123,496	**7,056**	**0**	**(25,000)**	**105,552**	**0**	**105,552**
Total noncurrent assets	**6,481,536**	**991,426**	**0**	**(90,871)**	**7,382,091**	**6,160,995**	**1,221,096**

Changes in Noncurrent Assets of Bayer Innovation GmbH, Leverkusen, in the period from January 1 to December 31, 2012

	Depreciation/amortization/write-downs					
	As of: Jan. 1, 2012	Additions	Exceptional additions	Transfers/ reclassifications	Retirements	Accumulated depreciation/ amortization/ write-downs As of: Dec. 31, 2012
	€	€		€	€	€
Intangible assets						
Concessions, industrial property rights, similar rights and assets and licenses thereunder	1,667,032	479,177	851,786	0	0	2,997,995
	1,667,032	**479,177**	**851,786**	**0**	**0**	**2,997,995**
Property, plant and equipment						
Machinery and technical equipment	1,052.709	0	0	0	0	1,052,709
Furniture, fixtures and other assets	181,200	18,969	0	0	(61,033)	139,136
Advance payments and assets under construction	0	0	1,971,155	0	0	1,971,155
	1,233,909	**18,969**	**1,971,155**	**0**	**(61,033)**	**3,163,000**
Investments						
Other investments	0	0	0	0	0	0
Other loans	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Total depreciation, amortization and write-downs	**2,900,941**	**498,146**	**2,822,941**	**0**	**(61,033)**	**6,160,995**

Income Statement of Bayer Innovation GmbH, Leverkusen, for the period from January 1 to December 31, 2013

	2012	2013
	€	€
Sales	**214,858**	**25,217**
Gross profit	**214,858**	**25,217**
Research expenses	(8,529,136)	(395,957)
General administration expenses	(5,260,168)	(645,160)
Other operating income	568,040	517,725
Other operating expenses	(1,340,613)	(59,766)
Operating result	**(14,347,019)**	**(557,941)**
Other interest and similar income	224,076	83,503
of which from affiliated companies	*[186,274]*	*[42,087]*
Interest and similar expenses	(138,015)	(21,427)
of which to affiliated companies	*[(16,250)]*	*[(46)]*
of which interest portion of interest-bearing provisions and liabilities	*[(121,765)]*	*[(21,381)]*
	86,061	**62,076**
Miscellaneous financial income	190,292	3,187
of which from currency translation	*[16,242]*	*[3,187]*
Miscellaneous financial expenses	(118,389)	(2,469)
of which from currency translation	*[(19,139)]*	*[(2,469)]*
	71,903	**718**
Financial result	**157,964**	**62,794**
Income before income taxes	**(14,189,055)**	**(495,147)**
Income from assumption of losses	14,189,055	495,147
Net income	**0**	**0**

Balance Sheet of Bayer Innovation GmbH, Leverkusen, as of December 31, 2013

	Dec. 31, 2012	Dec. 31, 2013
	€	€
ASSETS		
Noncurrent assets		
Intangible assets	268,111	178,593
Property, plant and equipment	847,433	828,602
Investments	105,552	113,102
	1,221,096	**1,120,297**
Current assets		
Receivables and other assets		
Trade accounts receivable	0	201,207
of which from affiliated companies	*[0]*	*[1,207]*
Receivables from affiliated companies	37,989,530	32,791,534
of which from the parent company	*[37,989,530]*	*[32,791,534]*
Other assets	411,629	399,945
of which due in > 1 year	*[370,171]*	*[383,380]*
	38,401,159	**33,392,686**
Deferred charges	**996**	**0**
Surplus from offsetting	**220,735**	**353,769**
	39,843,986	**34,866,752**

Balance Sheet of Bayer Innovation GmbH, Leverkusen, as of December 31, 2013

	Dec. 31, 2012	Dec. 31, 2013
	€	€
EQUITY AND LIABILITIES		
Equity		
Capital stock	26,000	26,000
Capital reserve	33,265,867	33,265,867
Retained earnings	427,425	427,425
	33,719,292	**33,719,292**
Provisions		
Provisions for pensions and other post-employment benefits	722,251	692,121
Other provisions	4,116,872	319,655
	4,839,123	**1,011,776**
Other liabilities		
Trade accounts payable	1,021,544	102,290
of which to affiliated companies	*[638,063]*	*[80,509]*
of which to the parent company	*[1,667]*	*[3,336]*
of which due in < 1 year	*[1,021,544]*	*[102,290]*
Payables to affiliated companies	62,248	0
of which due in < 1 year	*[62,248]*	*[0]*
Miscellaneous liabilities	201,779	33,394
of which for taxes	*[23,347]*	*[7,057]*
of which for social security	*[1,197]*	*[0]*
	1,285,571	**135,684**
	39,843,986	**34,866,752**

Notification pursuant to Section 326 Paragraph 2 Sentence 3 of the German Commercial Code (HGB): on December 31, 2013 and at the end of the previous year, Bayer Innovation GmbH did not exceed two of the three criteria listed in Section 267a Paragraph 1 HGB. It therefore utilizes the exemptions for micro-entities and has filed an application to deposit the balance sheet with the editor of the Federal Gazette.

Leverkusen, January 25, 2014

Bayer Innovation GmbH
Executive Board

Dr. Stephan Meier

Jan Rebenich

CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

in the form of an

Amendment Agreement to the Profit and Loss Transfer Agreement dated March 11, 2004,

between

Bayer Aktiengesellschaft, Leverkusen, ("BAYER")

and

Bayer Real Estate GmbH, Leverkusen, ("BRE")

The Parties entered into a Profit and Loss Transfer Agreement on March 11, 2004. At that time, BRE was still named "GeWoGe Gesellschaft für Wohnen und Gebäudemanagement mbH." To reflect the subsequent change in the company's name and the amendments to statutory provisions, the Parties have amended the Agreement in its entirety as follows, adding the element of control:

§ 1. Management

(1) BRE places the management of its company under the control of BAYER. BAYER is thus entitled to issue instructions to the Management of BRE with regard to the management of the company. The provisions of section 308 of the AktG, as amended, shall apply, with the necessary modifications.

(2) BAYER shall only exercise its right to issue instructions through the Board of Management. Any instruction must be issued in writing.

§ 2. Profit Transfer

(1) BRE agrees to transfer its entire profit to BAYER. The provisions of section 301 of the AktG, as amended, shall apply, with the necessary modifications.

(2) BRE may transfer amounts from its net income for the year to other retained earnings (section 272(3) of the German Commercial Code (HGB)) with BAYER's consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the term of the Agreement in accordance with section 272(3) of the HGB shall be released if required by BAYER.

(3) The transfer of amounts resulting from the release of other retained earnings in accordance with section 272(3) of the HGB created before the commencement of this Agreement or from capital reserves is excluded.

§ 3. Absorption of Losses

The provisions of section 302 of the AktG, as amended, shall apply, with the necessary modifications.

§ 4. Effective Date and Duration

(1) This Agreement requires the approval of the Annual Stockholders' Meeting of BAYER and the Annual Members' Meeting of BRE.

(2) The amended Agreement shall take effect upon entry in the commercial register at the domicile of BRE and shall apply retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. The right to issue instructions can only be exercised after the Agreement has been entered as amended in the commercial register at the domicile of BRE. The original version of the Agreement shall apply for the period prior to the effective date of the amended Agreement.

(3) The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the amended Agreement takes effect. If the Agreement is not terminated, it shall be automatically extended by one fiscal year in each case, subject to the same notice period.

(4) The right to terminate the Agreement for good cause without compliance with any notice period is not affected. In particular, BAYER is entitled to terminate the Agreement for good cause if it no longer holds a majority interest in BRE, another investor has acquired a stake in BRE, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. Good cause for extraordinary termination shall also extend, in particular, to the merger, split-off, or liquidation of one of the Parties.

§ 5. Other Provisions

The ineffectiveness or unenforceability of one or more provisions of this Agreement shall not affect the validity of the remaining provisions.

Leverkusen, February 17, 2014

Bayer Aktiengesellschaft

Leverkusen, February 17, 2014

Bayer Real Estate GmbH

JOINT REPORT

by the Board of Management of Bayer Aktiengesellschaft, Leverkusen, ("BAYER")

and the

Management of Bayer Real Estate GmbH, Leverkusen, ("BRE")

on the Control and Profit and Loss Transfer Agreement dated February 17, 2014

in accordance with section 293a of the German Stock Corporation Act (AktG)

In order to inform their stockholders and members and to prepare the resolution for the Annual Stockholders' Meeting of BAYER and the Annual Members' Meeting of BRE, the Board of Management of BAYER and the Management of BRE are submitting the following joint report on the Control and Profit and Loss Transfer Agreement dated February 17, 2014, between BAYER and BRE in the form of an Amendment Agreement to the Profit and Loss Transfer Agreement dated March 11, 2004:

1. AMENDMENT AGREEMENT; EFFECTIVE DATE

The Amendment Agreement to the Profit and Loss Transfer Agreement dated March 11, 2004, was entered into on February 17, 2014. It will be submitted for approval in accordance with sections 293 and 295 of the AktG to BAYER's Annual Stockholders' Meeting on April 29, 2014. It is planned that BRE's Annual Members' Meeting will approve the conclusion of the Amendment Agreement by way of a notarized resolution dated February 27, 2014. The Amendment Agreement must also be entered in the commercial register at the domicile of BRE in order to take effect.

2. PARTIES TO THE AGREEMENT

BAYER is a German stock corporation (Aktiengesellschaft) entered in the commercial register of the Cologne Local Court (Amtsgericht) under the number HRB 48248 with its registered office in Leverkusen. BAYER's fiscal year is the calendar year. According to the company's Articles of Incorporation, the purpose of the company is manufacturing, marketing and other industrial activities, or the provision of services, in the fields of health care, agriculture, polymers and chemicals. BAYER is the parent company of the Bayer Group. The Bayer Group conducts its operations in three subgroups: Bayer HealthCare, Bayer Crop-Science and Bayer MaterialScience. These are supported by three service companies.

BAYER's total assets in 2011 and 2012 were approximately €38 billion and approximately €36 billion, respectively, and its distributable profit was €1,364 billion in 2011 and €1,571 billion in 2012. In 2013, total assets were approximately €38 billion and distributable profit was €1,764 million.

BRE is a German limited liability company (Gesellschaft mit beschränkter Haftung) entered in the commercial register of the Cologne Local Court under the number HRB 48223. BRE was formerly known as GeWoGe Gesellschaft für Wohnen und Gebäudemanagement mbH, Leverkusen. Its fiscal year is the calendar year. The company's registered office is in Leverkusen and its management is also in Leverkusen. BRE's capital stock amounts to €1,536,000. The sole member is BAYER. BRE is Bayer AG's real estate company and real estate service provider. According to the Shareholder Agreement, the purpose of the company is to build and manage its own and third-party buildings and physical structures in its own name and for third-party account, as well as to buy and to sell undeveloped and developed properties –including as a property developer – and to enter into all other related transactions including rental and leasing. BRE provides support, arranges and advises on all real estate management issues at Bayer's locations in Germany, and gives advice and support in international projects of the Bayer subgroup and service companies.

BRE's total assets in fiscal years 2010, 2011 and 2012 were €110 million, €395 million and €416 million, respectively. Net income before profit transfer was €2.8 million in 2010, €36.7 million in 2011 and €8.7 million in 2013.

3. EXPLANATION OF THE AMENDMENT AGREEMENT

1. Management

In accordance with the new provision incorporated into § 1 of the Control and Profit and Loss Transfer Agreement, as amended by the Amendment Agreement, BRE places the management of its company under the control of BAYER. BAYER is entitled to issue instructions to the Management of BRE with regard to the management of the company. To the extent that no instructions are issued, the Management of BRE manages the company at its own responsibility.

The right to issue instructions is determined in accordance with section 308 of the AktG. BRE is required to follow legitimate instructions. Instructions can also be issued that are detrimental to BRE if they serve the interests of BAYER and companies that are members of the Bayer Group. The Management is not required to comply with any prohibited instructions, for example, instructions that would violate mandatory statutory provisions if they were to be followed. Furthermore, no instruction to amend, maintain, or terminate the Agreement may be issued.

2. Profit Transfer

In accordance with § 2 of the Agreement, as amended by the Amendment Agreement, BRE agrees to transfer its entire profit to BAYER. Subject to the creation or release of reserves, net income for the year before transfer of profit, reduced by any loss carried forward from the previous year and by the amount subject to a restriction on distribution in accordance with section 268(8) of the HGB, must be transferred. BRE may transfer amounts from net income for the year to other retained earnings with BAYER's consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the course of the Agreement must be released if required by BAYER and must be used to offset the net loss for any year or transferred as profit. These provisions correspond to the restrictions on transferring profit set out in section 301 of the AktG that apply in this case, with the necessary modifications. Section 301 of the AktG, as amended, also applies, with the necessary modifications.

In this respect, there are no material changes from the corresponding provision of the original version of the Agreement. Aside from editorial changes, the amendments essentially relate solely to the provisions of section 301 of the AktG. There is also a dynamic reference to section 301 of the AktG ("as amended").

3. Absorption of Losses

In accordance with § 3 of the Agreement, as amended by the Amendment Agreement, BAYER is required to absorb the losses in accordance with section 302 of the AktG, as amended. Pursuant to section 302 of the AktG, BAYER is obligated to compensate any net loss for the year arising during the term of the Agreement to the extent that it is not offset by withdrawing amounts from other retained earnings that were transferred to them during the course of the Agreement. By way of application of section 302(3) of the AktG, with the necessary modifications, BRE may not waive or settle the claim to have losses offset until three years after the date on which entry of the termination of the Agreement in the commercial register is deemed to have been announced. In accordance with section 302(4) of the AktG, the statute of limitation for any claims by BRE is ten years starting from the day on which notice of the entry of the termination of the Agreement in the commercial register has been announced pursuant to section 10 of the HGB.

The provision on the absorption of losses also remains essentially unchanged. The only material change is the dynamic reference to section 302 of the AktG ("as amended").

4. Effective Date and Duration

The Agreement, as amended by the Amendment Agreement, takes effect upon entry in the commercial register at the domicile of BRE and applies retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. For the period prior to the effective date of the Agreement, as amended by the Amendment Agreement, the original Agreement dated March 11, 2004, applies. This explains the order of the phased applicability of the different versions.

The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the Agreement, as amended by the Amendment Agreement, takes effect. A minimum term of five years from the effective date of the Agreement, as amended, is again agreed in this respect.

If the Agreement is not terminated, it will be automatically extended by one fiscal year in each case, subject to the same notice period. The existing requirement continues to apply in this respect.

In addition, the Agreement can be terminated for good cause without compliance with any notice period. This applies especially to BAYER in the event that BAYER no longer holds a majority interest in BRE, another investor has acquired a stake in BRE, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. In accordance with R 60(6) sentence 2 of the KStR of 2004, good cause for extraordinary termination also extends to the sale or contribution of the tax group subsidiary by the tax group parent as well as to the merger, split-off, or liquidation of the tax group parent or the tax group subsidiary. The latter case is explicitly defined in the Agreement as good cause. The reasons for termination for good cause are thus specified in greater detail than in § 3 of the original Agreement. One new feature is the possibility to terminate the Agreement in the event of the merger, split-off, or liquidation of one of the Parties. This is advisable as set out in administrative order R 60(6) sentence 2 of the KStR of 2004.

5. Miscellaneous

The amended Agreement, like the original Agreement, does not provide for any compensation payments or any settlement for noncontrolling interest shareholders because BAYER is the sole member of BRE.

Since BAYER holds all of the shares of BRE, no examination of the Amendment Agreement by an expert auditor (contract auditor) is required under section 293b(1) of the AktG, with the necessary modifications, and no report on any audit must be prepared under section 293e of the AktG.

4. ECONOMIC IMPORTANCE AND PURPOSE OF THE AMENDMENT AGREEMENT

The Amendment Agreement primarily serves the purpose of maintaining the consolidated tax group between BAYER and BRE. With regard to the obligation to absorb losses in particular, a dynamic reference to section 302 of the AktG must be made because such a reference requires the application section 17 sentence 2 no. 2 of the German Corporate Income Tax Act (KStG) since its most recent amendment. In addition, section 14(1) sentence 1 no. 3 of the KStG sets out that the Profit and Loss Transfer Agreement must be concluded for a minimum of five years. While section 34(10b) sentence 4 of the KStG establishes that amendment agreements relating to the dynamic reference to section 302 of the AktG are not considered new agreements for the application of section 14(1) sentence 1 no. 3 of the KStG, it is unclear whether this also applies to agreements that contain further changes, especially where, as in this case, a control element is added.. To avoid these interpretation difficulties and the associated possible disallowance of the consolidated tax group, it is agreed that notice of termination may not be given prior to the expiration of five years after the entry into force of the amended Agreement. This is because it is assumed that the amended Agreement will have a term of at least five years.

The consolidated tax group for corporate income tax and trade tax purposes thus maintained results in consolidated taxation of BRE (the tax group subsidiary) and BAYER (the tax group parent). This enables profits and losses to be offset against each other for tax purposes. Only BAYER as the tax group parent is thus liable for corporate income tax and trade tax. The Amendment Agreement therefore still enables the tax-optimized recognition of the profits and losses of BRE in the context of a consolidated tax group for corporate income tax and trade tax purposes.

The new requirements concerning the management of BRE that have been included in the Amendment Agreement will strengthen BAYER's authorization to manage the Group, including in relation to potential detrimental instructions possibly serving the interests of the Group.

Apart from this, no material changes to the content have been made; most of the modifi-cations merely entail editorial changes. The changes therefore do not have any financial or operating effects for the companies involved.

On the whole, the Agreement, as amended by the Amendment Agreement, contains the standard provisions agreed when a group of companies is established.

5. ALTERNATIVES TO ENTERING INTO THE CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

There was no economically reasonable alternative to entering into the Amendment Agreement between BAYER and BRE that could have achieved the objectives described above in the same manner or better. In particular, entering into other types of intercompany agreement within the meaning of section 292 of the AktG (agreement to lease a business, agreement to transfer a business, profit pooling, or partial profit transfer agreement) or a management agreement cannot maintain the consolidated taxation of BAYER and BRE.

Additionally, BAYER's right to issue instructions cannot be achieved in an identical or better manner by means of a different measure.

Leverkusen, February 17, 2014

Bayer Aktiengesellschaft
The Board of Management

Marijn Dekkers
____
Dr. Dekkers

____
Baumann

Michael König
____
König

Malik
____
Malik

____
Dr. Plischke

Leverkusen, February 17, 2014

Bayer Real Estate GmbH
Managing Director

B. Christman
____
Christmann

Income Statement of Bayer Real Estate GmbH, Leverkusen, for the period from January 1 to December 31, 2010

	2009	2010
	€	€
Sales	**227,691,076**	**179,019,737**
Cost of sales	220,368,558	171,294,460
Gross profit	**7,322,518**	**7,725,277**
Selling expenses	2,444,586	2,362,030
General administration expenses	2,461,860	2,336,107
Other operating income	542,511	394,094
Other operating expenses	232,372	265,037
Operating result	**2,726,211**	**3,156,197**
Financial result	**(116,910)**	**(332,607)**
Income before income taxes	**2,609,301**	**2,823,590**
Income taxes	87	0
Losses assumed/profit transferred under the profit and loss transfer agreement	(2,609,214)	(2,823,590)
Net income	**0**	**0**

Balance Sheet of Bayer Real Estate GmbH, Leverkusen, as of December 31, 2010

	Dec. 31, 2009	Dec. 31, 2010
	€	€
ASSETS		
Noncurrent assets		
Intangible assets	737,795	555,536
Property, plant and equipment	9,328,368	11,920,177
Investments	11,556	10,736
	10,077,719	**12,486,449**
Current assets		
Land held for sale and other inventories	44,431,957	45,476,584
Receivables and other assets		
Trade accounts receivable	3,690,946	2,640,634
Receivables from affiliated companies	48,816,837	47,986,564
Other assets	524,605	209,510
Cash and cash equivalents, bank balances	21,992	25,311
	97,486,337	**96,338,603**
Deferred charges	**1,163,945**	**847,955**
Surplus from offsetting	**–**	**96,002**
	108,728,001	**109,769,009**
STOCKHOLDERS' EQUITY AND LIABILITIES		
Equity		
Capital stock	1,534,000	1,534,000
Other retained earnings	6,382,969	6,382,969
Profit carried forward	41,635,420	41,635,420
Balance sheet profit	–	–
	49,552,389	**49,552,389**
Provisions		
Provisions for pensions and other post-employment benefits	9,394,627	10,537,062
Other provisions	5,057,632	5,955,814
	14,452,259	**16,492,876**
Liabilities		
Liabilities to banks	303	91
Trade accounts payable	4,619,217	4,899,172
Payables to affiliated companies	6,896,794	4,130,548
Miscellaneous liabilities	32,550,744	34,104,032
	44,067,058	**43,133,843**
Deferred income	**656,295**	**589,901**
	108,728,001	**109,769,009**

Changes in Noncurrent Assets of Bayer Real Estate GmbH, Leverkusen, in the period from January 1 to December 31, 2010

	Gross carrying amounts						Net carrying amounts	
	As of Jan. 1, 2010	Additions	Transfers/ reclassifica-tions	Retirements	As of Dec. 31, 2010	Accumulated depreciation, amortization and write-downs	Dec. 31, 2009	Dec. 31, 2010
	€	€	€	€	€	€	€ thousand	€
Intangible assets								
Concessions, industrial property rights, similar rights and assets and licenses thereunder	1,121,421	190,431		–	1,311,852	756,316	738	555,536
Property, plant and equipment								
Land with residential buildings	1,282,569	–	–	–	1,282,569	108,490	1,196	1,174,079
Land with industrial and other buildings	76,412	–	–	–	76,412	31,720	58	44,692
Undeveloped land	2,820,983	–	–	–	2,820,983	2,088,285	733	732,698
Land with third-party hereditary building rights	33,316	385,079			418,395	–	33	418,395
Machinery and technical equipment	446,985	416,864	1,450,179	–	2,314,028	263,625	362	2,050,403
Furniture, fixtures and other equipment	6,300,962	2,668,844	1,259,982	30,168	10,199,620	3,292,436	4,209	6,907,184
Construction in progress	2,737,840	565,047	(2,710,161)	–	592,726	–	2,737	592,726
Total property, plant and equipment	**13,699,067**	**4,035,834**	**–**	**30,168**	**17,704,733**	**5,784,556**	**9,328**	**11,920,177**
Investments								
Other loans	11,556			820	10,736		12	10,736
Total investments	**11,556**	**–**	**–**	**820**	**10,736**	**–**	**12**	**10,736**
Total noncurrent assets	**14,832,044**	**4,226,265**	**–**	**30,988**	**19,027,321**	**6,540,872**	**10,078**	**12,486,449**

Changes in Noncurrent Assets of Bayer Real Estate GmbH, Leverkusen, in the period from January 1 to December 31, 2010

	Depreciation/amortization/write-downs				
	As of Jan. 1, 2010	Additions	Write-backs	Retirements	As of Dec. 31, 2010
	€	€	€	€	€
Intangible assets					
Concessions, industrial property rights, similar rights and assets, and licenses thereunder	383,626	372,690			756,316
Property, plant and equipment					
Land with residential buildings	86,792	21,698	–	–	108,490
Land with industrial and other buildings	18,727	12,993		–	31,720
Undeveloped land	2,088,285	–	–	–	2,088,285
Machinery and technical equipment	84,791	178,834		0	263,625
Furniture, fixtures and other equipment	2,092,104	1,225,996	–	25,664	3,292,436
Total property, plant and equipment	**4,370,699**	**1,439,521**	**–**	**25,664**	**5,784,556**
Total noncurrent assets	**4,754,325**	**1,812,211**	**–**	**25,664**	**6,540,872**

Notes to the Financial Statements of Bayer Real Estate GmbH, Leverkusen, for fiscal 2010

GENERAL

The valuation and accounting principles used for the annual financial statements of Bayer Real Estate GmbH, Leverkusen, Germany, comply with the commercial regulations for German limited liability companies (GmbH). As in the previous year, the ordinance issued by the Federal Ministry of Justice dated March 6, 1987 on the presentation of the annual financial statements of housing companies has been taken into account.

Certain balance sheet and income statement items are combined to enhance the clarity of presentation. These are stated separately and explained in the Notes.

Bayer Real Estate GmbH is included in the consolidated financial statements of its parent company, Bayer AG, Leverkusen, Germany, from which the consolidated financial statements may be obtained.

Details of audit fees are included in Bayer's consolidated financial statements. Accordingly, exemption from the disclosure obligation is hereby utilized in application of Section 285 No. 17 HGB.

RECOGNITION AND VALUATION PRINCIPLES

Intangible assets that have been acquired are recognized at cost and amortized.

Property, plant and equipment is carried at the cost of acquisition or construction less depreciation for wear and tear. Amounts added to property, plant and equipment on or after January 1, 2008 are depreciated using the straight-line method. Assets that were acquired up to December 31, 2007 are depreciated using the declining-balance method, where this is permitted under tax laws, at the maximum permissible depre-ciation rates. Movable assets that can be utilized separately and are subject to depletion are written down in full in the year of acquisition if the cost of acquisition or construction does not exceed €150. Movable assets where the cost of acquisition or construction is between €150 and €1,000 were in 2008 and 2009 aggregated annually in a single item and depreciated over five years. From January 1, 2010 the threshold for movable assets that are written down in full in the year of acquisition was increased from €150 to €410. Write-downs are recognized for any declines in value which are expected to be permanent.

Land held for sale and other inventories are recognized at their cost of acquisition or construction. Construction costs contain both the individual cost of construction and expenses for planning and construction supervision work by the company.

Write-downs are made if the fair value is below the carrying amount. Utility charges not yet invoiced to tenants are included in inventories.Receivables and other assets are carried at nominal value or at fair value, whichever is lower.

Provisions for pensions and other post-employment benefits are computed using the projected unit credit method, based on the actuarial method that calculates biometric probability using the Heubeck 2005 G reference tables. Expected future salary and pension increases are taken into account. We currently assume annual salary increases of 3.0% (2009: 2.5%) and annual pension increases of 1.75% (2009: 1.75%). The discount rate used for pension provisions was 5.15% as of December 31, 2010 (2009: 5.25%), which is the average market interest rate of the past seven years for instruments with an assumed remaining maturity of 15 years, as determined and published by the German Bundesbank.

The other provisions take account of all foreseeable risks and uncertain liabilities. Provisions are established for taxes, uncertain liabilities, vacation entitlements and claims under guarantees in the amount expected to be utilized.

Liabilities are carried at nominal value or redemption cost, whichever is higher. Advance payments received for utility charges that have not yet been invoiced are reflected in advance payments received.

NOTES TO THE BALANCE SHEET

Noncurrent assets

The breakdown of assets and how they have changed is shown in the statement of changes in assets.

Land held for sale and other inventories

	Dec. 31, 2009	Dec. 31, 2010
	€ thousand	€
Undeveloped land	9,725	9,026,945
Land with unfinished buildings	1,542	812,262
Construction work in progress	32,788	33,862,895
Other work in progress		
Utility charges that have not yet been invoiced	355	1,754,028
Other inventories	22	20,454
	44,432	**45,476,584**

The construction work in progress comprises work being undertaken by Bayer Real Estate GmbH. On January 11, 2011 Bayer AG decided not to continue the projected construction of the media facade at its former headquarters. Bayer Real Estate GmbH as property developer on behalf of Bayer AG accounted for construction work in progress and advance payments received with almost the same amounts. The construction company commissioned, AG4 media facade GmbH, filed for insolvency on January 25, 2011. Bayer Real Estate GmbH and Bayer AG are currently in negotiations with the liquidator.

Trade accounts receivable

	Dec. 31, 2009	Dec. 31, 2010
	€ thousand	€
Receivables from the letting of property	2,266	2,424,454
Receivables from the sale of land	1,425	216,180
	3,691	**2,640,634**

All receivables are due in less than one year.

Receivables from affiliated companies

	Dec. 31, 2009	Dec. 31, 2010
	€ thousand	€
Bayer AG, Leverkusen (stockholder)	42,926	38,348,718
Bayer Animal Health GmbH, Leverkusen	72	76,485
Bayer Business Services GmbH, Leverkusen	118	90,518
Bayer CropScience AG, Monheim	966	855,631
Bayer CropScience Deutschland GmbH, Langenfeld	–	25,767
Bayer de Mexico, Mexico City	–	2,446
Bayer Direct Services GmbH, Leverkusen	120	107,322
Bayer Fussball GmbH, Leverkusen	–	250
Bayer HealthCare AG, Leverkusen	18	–
Bayer MaterialScience AG, Leverkusen	2,132	2,724,041
Bayer Schering Pharma AG, Berlin	1,553	1,861,598
Bayer Vital GmbH, Leverkusen	341	–
Chemion Logistik GmbH, Leverkusen	369	–
Currenta GmbH & Co. OHG, Leverkusen	–	3,681,711
Dynevo GmbH, Leverkusen	103	95,018
Euroservices Bayer GmbH, Leverkusen	–	117,059
Job@ctive GmbH, Leverkusen	53	–
Pallas Versicherungs AG, Leverkusen	27	–
Travel Board GmbH, Leverkusen	19	–
	48,817	**47,986,564**

The receivables from affiliated companies comprise overnight funds (€36,942 thousand), profit transfers (minus €2,824 thousand) and trade accounts receivable (€13,869 thousand).

Provisions for pensions and other post-employment benefits

Provisions for pensions comprise obligations for current pension payments and future pension entitlements. This item also contains post-employment benefits relating to early retirement.

Some obligations arising from pension commitments are secured by assets invested with Bayer Pension Trust e.V., Leverkusen, Germany, under a contractual trust arrangement. These assets may only be used for the purpose of meeting pension obligations and are protected from other creditors. In accordance with the provisions of the German Accounting Law Modernization Act (Section 246 Paragraph 2 Sentence 2 HGB), they were offset against the underlying obligation.

	Dec. 31, 2009	Dec. 31, 2010
	€ thousand	€
Settlement value of pension and other post-employment benefit obligations	9,643	10,978,138
Fair value of assets invested with Bayer Pension Trust (as far as nettable)	(248)	(441,076)
Net value of pension and other post-employment benefit obligations	**9,395**	**10,537,062**

Offsetting certain pension obligations against the associated plan assets shows that the assets exceed the obligations. The difference is recorded on the balance sheet as the surplus from offsetting.

Other provisions

The other provisions contain amounts relating to outstanding invoices from suppliers, guarantees, obligations relating to long-service anniversaries, pre-retirement leave, vacation and flextime entitlements, the cost of preparing and auditing the annual financial statements, contributions to employers' liability insurance funds, and provisions for other uncertain liabilities.

Payables to affiliated companies

	Dec. 31, 2009	Dec. 31, 2010
	€ thousand	€
Bayer Gastronomie GmbH, Leverkusen	1,093	230,030
Bayer HealthCare AG, Leverkusen	53	272,693
Bayer Technology Services GmbH, Leverkusen	1,593	527,497
Bayer Vital GmbH, Leverkusen	–	352,604
Bayfin GmbH, Leverkusen	–	385,079
Chemion Logistik GmbH, Leverkusen	–	86,838
Currenta GmbH & Co. OHG, Leverkusen	2,688	–
Euroservices Bayer GmbH, Leverkusen	24	–
Pallas Versicherungs AG, Leverkusen	–	17,000
Tectrion GmbH, Leverkusen	1,446	2,238,807
TravelBoard GmbH, Leverkusen	–	20,000
	6,897	**4,130,548**

All payables to affiliated companies are trade accounts payable.

Miscellaneous liabilities

	Dec. 31, 2009	Dec. 31, 2010
	€ thousand	€
Liabilities		
relating to social security expenses	125	124,881
relating to taxes	297	299,255
Other	211	97,717
	633	**521,853**

Remaining term of liabilities

	Due in 2011	Due after 2011
	€	€
Liabilities to banks	91	
Advance payments received	33,582,179	
Trade accounts payable to other suppliers	4,899,172	
Payables to affiliated companies	4,130,548	
Miscellaneous liabilities	512,667	9,186
	43,124,657	**9,186**

Contingent liabilities
Contingent liabilities relate to guarantee obligations for apartments rented by the company amounting to €84 thousand (2009: €106 thousand).

Other financial obligations
In addition to the provisions and liabilities shown on the balance sheet, other financial obligations exist with respect to open orders for property development amounting to €174 thousand (2009: €1,614 thousand).

NOTES TO THE INCOME STATEMENT
Sales
All sales were generated in the Federal Republic of Germany.

Sales by business activity

	2009	2010
	€ thousand	€
Property management	178.645	177.065.156
Sale of land	4.141	1.294.311
Ancillary services	44.558	515.226
Other business activities and services	347	145.045
	227.691	**179.019.738**

Other operating income

	2009	2010
	€ thousand	€
From the retirement		
of noncurrent assets	–	936
Miscellaneous operating income	543	393.158
	543	**394.094**

The miscellaneous operating income comprises non-period income amounting to €286 thousand (2009: €472 thousand), principally from the reversal of provisions and write-downs.

Other operating expenses

	2009	2010
	€ thousand	€
Other taxes	114	108.347
Miscellaneous operating expenses	118	156.690
	232	**265.037**

The miscellaneous operating expenses comprise losses from write-downs of/defaults on receivables, bank charges and expenses for other business activities and services.

Financial result

	2009	2010
	€ thousand	€
Other interest and similar income	413	231.987
thereof from affiliated companies	[392]	[227.818]
Interest and similar expenses	(1)	(473)
Interest portion of additions to pension and other long-term personnel-related provisions	(529)	(564.121)
	(117)	**(332.607)**

Other disclosures
Expenses for outsourced work and services

	2009	2010
	€ thousand	€
Expenses for property management	164.916	153.415.344
Expenses for the sale of land	42.873	4.406.618
Expenses for other business activities and services	102	14.371
	207.891	**157.836.333**

Expenses for outsourced work and services contain for the first time expenses for the real estate business taken over from Currenta GmbH & Co. OHG. The prior year amounts have been adjusted.

Personnel expenses

	2009	2010
	€ thousand	€
Wages and salaries	10.402	10.473.205
Social security contributions and expenses for pensions and assistance	2.076	2.984.922
thereof for pensions	[1.537]	[1.552.847]
	12.478	**13.458.127**

Number of employees
The average number of employees during the fiscal year was 133 (2009:132).

Total compensation of the management
The company refrains from disclosing the compensation of present members of the management as permitted by Section 286 Paragraph 4 of the German Commercial Code (HGB).

Provisions amounting to €346 thousand have been made for pension obligations to former managing directors. Total benefits paid in the fiscal year amounted to €109 thousand.

Supervisory Board
Our stockholder has refrained from holding elections to the Supervisory Board.

Managing Director
Michael Müller, engineering graduate
Leverkusen, February 23, 2011

Bayer Real Estate GmbH

Managing Director Michael Müller

Income Statement of Bayer Real Estate GmbH, Leverkusen, for the period from January 1 to December 31, 2011

	2010	2011
	€	€
Sales	**179,019,737**	**218,325,886**
Cost of sales	171,294,460	181,776,669
Gross profit	**7,725,277**	**36,549,217**
Selling expenses	2,362,030	437,194
General administration expenses	2,336,107	1,876,899
Other operating income	394,094	2,649,756
Other operating expenses	265,037	173,021
Operating result	**3,156,197**	**36,711,859**
Financial result	**(332,607)**	**14,075**
Income before income taxes	**2,823,590**	**36,725,934**
Income taxes	0	0
Losses assumed/profit transferred under the profit and loss transfer agreement	(2,823,590)	(37,640,919)
Net loss	**0**	**(914,985)**
Withdrawal from retained earnings	0	914,985
Balance sheet profit	**0**	**0**

Balance Sheet of Bayer Real Estate GmbH, Leverkusen, as of December 31, 2011

	Dec. 31, 2010	Dec. 31, 2011
	€	€
ASSETS		
Noncurrent assets		
Intangible assets	555,536	494,512
Property, plant and equipment	11,920,177	323,633,726
Investments	10,736	59,867
	12,486,449	**324,188,105**
Current assets		
Land held for sale and other inventories	45,476,584	10,891,741
Receivables and other assets		
Trade accounts receivable	2,640,634	2,496,889
Receivables from affiliated companies	47,986,564	56,118,073
Other assets	209,510	327,995
Cash and cash equivalents, bank balances	25,311	44,747
	96,338,603	**69,879,445**
Deferred charges	**847,955**	**955,064**
Surplus from offsetting	**96,002**	**16,716**
	109,769,009	**395,039,330**
EQUITY AND LIABILITIES		
Equity		
Capital stock	1,534,000	1,535,000
Capital reserve		319,134,214
Other retained earnings	6,382,969	5,467,984
Profit carried forward	41,635,420	41,635,420
Balance sheet profit	–	–
	49,552,389	**367,772,618**
Provisions		
Provisions for pensions and other post-employment benefits	10,537,062	10,042,827
Other provisions	5,955,814	7,260,182
	16,492,876	**17,303,009**
Other liabilities		
Liabilities to banks	91	96
Trade accounts payable	4,899,172	5,268,636
Payables to affiliated companies	4,130,548	1,630,101
Miscellaneous liabilities	34,104,032	884,696
	43,133,843	**7,783,529**
Deferred income	**589,901**	**2,180,174**
	109,769,009	**395,039,330**

Changes in Noncurrent Assets of Bayer Real Estate GmbH, Leverkusen, in the period from January 1 to December 31, 2011

	Gross carrying amounts						Net carrying amounts	
	As of: Jan. 1, 2011	Additions	Transfers / reclassifi-cations	Retirements	As of: Dec. 31, 2011	Accumulated deprecia-tion/ amorti-zation/ write-downs	Dec. 31, 2010	Dec. 31, 2011
	€	€	€	€	€	€	€ thousand	€
Intangible assets								
Concessions, industrial property rights, similar rights and assets and licenses thereunder	1,311,852	271,843		3,463	1,580,232	1,085,720	555	494,512
Property, plant and equipment								
Land with residential and buildings	1,282,569	27,637,631	(571,934)	83,990	28,264,276	15,546,163	1,174	12,718,113
Land with industrial and other buildings	76,412	386,039,903	2,410,338	804,758	387,721,895	201,638,504	45	186,083,391
Undeveloped land	2,820,983	145,669,201	1,226,712	116,015	149,600,881	36,425,708	733	113,175,173
Land with third-party hereditary building rights	418,395	1,849,372	(418,395)		1,849,372	99,727	418	1,749,645
Machinery and technical equipment	2,314,028	862,486	117,874	13,114	3,281,274	517,281	2,050	2,763,993
Furniture, fixtures and other equipment	10,199,620	549,046	(2,230,788)	311,149	8,206,729	4,046,723	6,907	4,160,006
Construction in progress	592,726	2,924,486	(533,807)	–	2,983,405	–	593	2,983,405
Total property, plant and equipment	**17,704,733**	**565,532,125**	**–**	**1,329,026**	**581,907,832**	**258,274,106**	**11,920**	**323,633,726**
Investments								
Other loans	10,736	50,000		869	59,867		11	59,867
Total investments	**10,736**	**50,000**	**–**	**869**	**59,867**	**–**	**11**	**59,867**
Total noncurrent assets	**19,027,321**	**565,853,968**	**–**	**1,333,358**	**583,547,931**	**259,359,826**	**12,486**	**324,188,105**

Changes in Noncurrent Assets of Bayer Real Estate GmbH, Leverkusen, in the period from January 1 to December 31, 2011

	Depreciation/amortization/write-downs					
	As of: Jan. 1, 2011	Additions	Transfers / reclassifi-cations	Write-backs	Retirements	As of: Dec. 31, 2011
	€	€	€	€	€	€
Intangible assets						
Concessions, industrial property rights, similar rights and assets and licenses thereunder	756,316	332,866			3,462	1,085,720
Property, plant and equipment						
Land with residential buildings	108,490	15,488,390	–	–	50,717	15,546,163
Land with industrial and other buildings	31,720	201,630,338	137,234		160,788	201,638,504
Undeveloped land	2,088,285	34,337,423		–	–	36,425,708
Land with third-party hereditary building rights		99,727				99,727
Machinery and technical equipment	263,625	263,755			10,099	517,281
Furniture, fixtures and other equipment	3,292,436	1,181,760	(137,234)	–	290,239	4,046,723
Total property, plant and equipment	**5,784,556**	**253,001,393**	**–**	**–**	**511,843**	**258,274,106**
Total noncurrent assets	**6,540,872**	**253,334,259**	**–**	**–**	**515,305**	**259,359,826**

Notes to the Financial Statements of Bayer Real Estate GmbH, Leverkusen, for fiscal 2011

GENERAL

The valuation and accounting principles used for the annual financial statements of Bayer Real Estate GmbH, Leverkusen, Germany, comply with the commercial regulations for German limited liability companies (GmbH). As in the previous year, the ordinance issued by the Federal Ministry of Justice dated March 6, 1987 on the presentation of the annual financial statements of housing companies has been taken into account.

Certain balance sheet and income statement items are combined to enhance the clarity of presentation. These are stated separately and explained in the Notes.

Bayer Real Estate GmbH is included in the consolidated financial statements of its parent company, Bayer AG, Leverkusen, Germany, from which the consolidated financial statements may be obtained.

Details of audit fees are contained in Bayer's consolidated financial statements. Accordingly, exemption from the disclosure obligation is hereby utilized in application of Section 285 No. 17 HGB.

"As of January 1, 2011, the real estate assets of Bayer AG were transferred to Bayer Real Estate GmbH by way of a hive-down under the German Companies' Reorganization Act.
In return for the transfer of these assets, Bayer Real Estate GmbH granted Bayer AG a new share in the company with a nominal value of €1,000. The difference between the assets transferred and the new share was allocated to the capital reserve."

When preparing the financial statements as of December 31, 2011, a withdrawal was made from the retained earnings established in 2009 in connection with the first-time application of the provisions of the German Accounting Law Modernization Act (BilMoG) and transferred to Bayer AG.

RECOGNITION AND VALUATION PRINCIPLES

Acquired intangible assets are recognized at cost and amortized.

Property, plant and equipment is carried at the cost of acquisition or construction less depreciation for wear and tear. Amounts added to property, plant and equipment on or after January 1, 2008 are depreciated using the straight-line method. Movable assets that can be used independently and are subject to depletion are written down in full in the year of acquisition if the cost of acquisition or construction does not exceed €150. Where the cost of acquisition or construction was between €150 and €1,000, in 2008 and 2009 such assets were aggregated annually in a single item and depreciated over five years. From January 1, 2010, the threshold for movable assets that are written down in full in the year of acquisition was set at €410. Write-downs are recognized for any declines in value that are expected to be permanent.

Land held for sale and other inventories are recognized at their cost of acquisition or construction. Construction costs also contain expenses for planning and supervision work by the company. Write-downs are made if the fair value is below the carrying amount. Utility charges not yet invoiced to tenants are included in inventories.

Receivables and other assets are carried at nominal value or fair value, whichever is lower.

Provisions for pensions and other post-employment benefits are computed using the projected unit credit method based on the actuarial method that calculates biometric probability using the Heubeck 2005 G reference tables. Expected future salary and pension increases are taken into account. We currently assume annual salary increases of 3.0% (2010: 3.0%) and annual pension increases of 1.75% (2010: 1.75%). The discount rate used for pension provisions was 5.14% as of December 31, 2011 (2010: 5.25%), which is the average market interest rate of the past seven years for instruments with an assumed remaining maturity of 15 years, as determined and published by the German Bundesbank.

The other provisions take account of all foreseeable risks and uncertain liabilities. Provisions are established for taxes, uncertain liabilities, vacation entitlements and claims under guarantees in the amount expected to be utilized.

Liabilities are carried at nominal value or redemption cost, whichever is higher. Advance payments received for utility charges that have not yet been invoiced are reflected in advance payments received.

Deferred income mainly contains investment subsidies that have not been offset against assets. These amounts are released analogously to depreciation and amortization.

NOTES TO THE BALANCE SHEET

Noncurrent assets

A breakdown of noncurrent assets and how they have changed is shown in the statement of changes in noncurrent assets.

Land held for sale and other inventories

	Dec. 31, 2010	Dec. 31, 2011
	€ thousand	€
Undeveloped land	9,027	10,334,511
Land with unfinished buildings	812	0
Construction work in progress	33,863	0
Other work in progress		
Utility charges that have not yet been invoiced	1,754	556,688
Other inventories	21	542
	45,477	**10,891,741**

Trade accounts receivable

	31.12.2010	31.12.2011
	€ thousand	€
Receivables from the letting of property	2,425	2,440,967
Receivables from the sale of land	216	55,922
	2,641	**2,496,889**

All receivables are due in less than one year.

Receivables from affiliated companies

	Dec. 31, 2010	Dec. 31, 2011
	€ thousand	€
Bayer AG, Leverkusen (stockholder)	38,349	48,929,301
Bayer Animal Health GmbH, Leverkusen	76	127,332
Bayer Business Services GmbH, Leverkusen	91	832,404
Bayer CropScience AG, Monheim	856	1,175,134
Bayer CropScience Deutschland GmbH, Monheim	26	3,873
Bayer de Mexico, Mexico City	2	–
Bayer Direct Services GmbH, Leverkusen	107	76,967
Bayer Fussball GmbH, Leverkusen	–	266
Bayer Gastronomie GmbH, Leverkusen	–	184,435
Bayer MaterialScience AG, Leverkusen	2,724	2,662,403
Bayer Pharma AG, Berlin	1,862	1,710,690
Bayer Vital GmbH, Leverkusen	–	116,639
Chemion Logistik GmbH, Leverkusen	–	132,977
Currenta GmbH & Co. OHG, Leverkusen	3,682	–
Dynevo GmbH, Leverkusen	95	97,062
Euroservices Bayer GmbH, Leverkusen	117	68,590
	47,987	**56,118,073**

The receivables from affiliated companies comprise overnight funds (€90,131 thousand), profit-and-loss transfers (minus €37,641 thousand) and trade accounts receivable (€3,628 thousand).

Provisions for pensions and other post-employment benefits

Provisions for pensions comprise obligations for current pension payments and future pension entitlements. This item also includes post-employment benefits relating to early retirement.

Some obligations arising from pension commitments are secured by assets invested with Bayer Pension Trust e.V. Leverkusen, Germany, under a contractual trust arrangement. These assets may only be used for the purposes of meeting pension obligations and are protected from other creditors. In accordance with the provisions of Section 246 Paragraph 2 Sentence 2 of the German Commercial Code (HGB), they are offset against the underlying obligation.

	Dec. 31, 2010	Dec. 31, 2011
	€ thousand	€
Settlement value of pensions and other post-employment benefit obligations	10,978	11,726,690
Fair value of the assets invested with Bayer Pension Trust (insofar as nettable)	(441)	(1,683,863)
Net value of pensions and other post-employment benefit obligations	**10,537**	**10,042,827**

Other provisions

The other provisions contain amounts relating to outstanding invoices from suppliers, guarantees, long-service anniversaries, pre-retirement leave, vacation and flextime entitlements, the cost of preparing and auditing the annual financial statements, contributions to employers' liability insurance funds, and provisions for other uncertain liabilities.

Payables to affiliated companies

	Dec. 31, 2010	Dec. 31, 2011
	€ thousand	€
Bayer Gastronomie GmbH, Leverkusen	230	–
Bayer HealthCare AG, Leverkusen	273	7,959
Bayer Technology Services GmbH, Leverkusen	527	47,492
Bayer Vital GmbH, Leverkusen	353	–
Bayfin GmbH, Leverkusen	385	–
Chemion Logistik GmbH, Leverkusen	87	–
Currenta GmbH & Co. OHG, Leverkusen	–	445,641
Pallas Versicherungs AG, Leverkusen	17	–
Tectrion GmbH, Leverkusen	2,239	1,086,952
TravelBoard GmbH, Leverkusen	20	42,057
	4,131	**1,630,101**

All payables to affiliated companies are trade accounts payable.

Miscellaneous liabilities

	Dec. 31, 2010	Dec. 31, 2011
	€ thousand	€
Liabilities		
relating to social security expenses	125	114,479
relating to taxes	299	276,444
Other	98	99,958
	522	**490,881**

Remaining term of liabilities

	up to 1 year	more than 1 year
	€	€
Liabilities to banks	96	
Advance payments received	393,815	
Trade accounts payable to other suppliers	5,268,636	
Payables to affiliated companies	1,630,101	
Miscellaneous liabilities	482,334	8,547
	7,774,982	**8,547**

Contingent liabilities

Contingent liabilities relate to guarantee obligations for apartments rented by the company amounting to €50 thousand (2010: €84 thousand).

Other financial obligations

In addition to the provisions and liabilities shown on the balance sheet, other financial obligations exist with respect to open orders for property development totaling €0 thousand (2010: €174 thousand).

NOTES TO THE INCOME STATEMENT

Sales

All sales were generated in the Federal Republic of Germany.

Sales by business activity

	2010	2011
	€ thousand	€
Property management	177,065	214,389,622
Sale of land	1,294	3,050,010
Ancillary services	516	318,880
Other business activities and services	145	567,374
	179,020	**218,325,886**

Other operating income

	2010	2011
	€ thousand	€
From the retirement of noncurrent assets	1	2,495,219
Miscellaneous operating income	393	154,537
	394	**2,649,756**

The miscellaneous operating income comprises non-period income amounting to €4 thousand (2010: €286 thousand), principally from the reversal of provisions and write-downs

Other operating expenses

	2010	2011
	€ thousand	€
Other taxes	108	108,274
Miscellaneous operating expenses	157	64,747
	265	**173,021**

The miscellaneous operating expenses comprise losses from write-downs of/defaults on receivables, bank charges, and expenses for other business activities and services.

Financial result

	2010	2011
	€ thousand	€
Other interest and similar income	232	676,429
thereof from affiliated companies	[228]	[653,790]
Interest and similar expenses	(1)	–
Interest portion of additions to pension and other long-term personnel-related provisions	(564)	(662,354)
	(333)	**14,075**

Other disclosures
Expenses for outsourced work and services

	2010	2011
	€ thousand	€
Expenses for property management	153,415	178,939,287
Expenses for the sale of land	4,407	2,805,638
Expenses for other business activities and services	14	31,744
	157,836	**181,776,669**

Personnel expenses

	2010	2011
	€ thousand	€
Wages and salaries	10,473	10,352,120
Social security contributions and expenses for pensions and assistance	2,985	2,642,947
thereof for pensions	[1,553]	[1,148,372]
	13,458	**12,995,067**

Employees
The average number of employees during the fiscal year was 133 (2010: 133).

Total compensation of the management
The company refrains from disclosing the compensation of present members of the management as permitted by Section 286 Paragraph 4 of the German Commercial Code (HGB).

Provisions amounting to €367 thousand have been made for pension obligations to former managing directors. Total benefits paid in the fiscal year amounted to EUR 73 thousand.

Supervisory Board
Our stockholder has refrained from holding elections to the Supervisory Board.

Managing Director:
Michael Müller, engineering graduate
Leverkusen, April 26, 2012

Bayer Real Estate GmbH

Managing Director Michael Müller

Income Statement of Bayer Real Estate GmbH, Leverkusen, for the period from January 1 to December 31, 2012

	2011	2012
	€	€
Sales	**218,325,886**	**141,490,897**
Cost of sales	(181,776,669)	(134,311,810)
Gross profit	**36,549,217**	**7,179,087**
Selling expenses	(437,194)	(442,425)
General administration expenses	(1,876,899)	(1,886,147)
Other operating income	2,649,756	4,513,822
of which from currency translation	*[0]*	*[0]*
Other operating expenses	(173,021)	(75,416)
of which from currency translation	*[0]*	*[0]*
Operating result	**36,711,859**	**9,288,921**
Income from profit and loss transfer agreements with affiliated companies	0	3,089
	0	**3,089**
Income from other securities and loans included in investments	0	1,324
of which from affiliated companies	*[0]*	*[0]*
Other interest and similar income	676,207	286,282
of which from affiliated companies	*[653,790]*	*[284,746]*
of which income resulting from discounting of provisions	*[0]*	*[0]*
Interest and similar expenses	(662,354)	(860,969)
of which to affiliated companies	*[0]*	*[(1,043)]*
of which interest portion of interest-bearing provisions and liabilities	*[(662,354)]*	*[(853,301)]*
	13,852	**(573,363)**
Miscellaneous financial income	223	8,624
of which from currency translation	*[91]*	*[0]*
Miscellaneous financial expenses	0	(1,240)
of which from currency translation	*[0]*	*[(1,239)]*
	223	**7,384**
Financial result	**14,075**	**(565,979)**
Income before income taxes	**36,725,934**	**8,724,708**
Income taxes	0	0
of which from a change in the recognition of deferred taxes	*[0]*	*[0]*
Expenses for profit transfer	(37,640,919)	(8,724,708)
Net income/loss	**(914,985)**	**0**
Withdrawal from retained earnings	914,985	0
Balance sheet profit	**0**	**0**

Balance Sheet of Bayer Real Estate GmbH, Leverkusen, as of December 31, 2012

	Dec. 31, 2011	Dec. 31, 2012
	€	€
ASSETS		
Noncurrent assets		
Intangible assets	494,512	250,466
Property, plant and equipment	323,633,726	30,743,686
Investments	59,867	286,643,294
	324,188,105	**317,637,446**
Current assets		
Inventories		
Work in process, finished goods and goods purchased for resale	10,891,741	11,085,148
Receivables and other assets		
Trade accounts receivable	9,685,661	15,589,623
of which from affiliated companies	*[7,188,772]*	*[13,795,854]*
Receivables from affiliated companies	48,929,301	70,165,923
of which due in > 1 year	*[48,929,301]*	*[70,165,923]*
of which from the stockholder	*[48,929,301]*	*[70,165,923]*
Receivables from other investments	0	4,258
of which due in > 1 year	*[0]*	*[4,258]*
Other assets	*327,995*	*236,389*
of which due in > 1 year	*[327,995]*	*[236,389]*
	58,942,957	**85,996,194**
Cash on hand and bank balances	44,747	0
	69,879,445	**97,081,342**
Deferred charges	**955,064**	**843,618**
Surplus from offsetting	**16,716**	**15,111**
	395,039,330	415,577,517

Balance Sheet of Bayer Real Estate GmbH, Leverkusen, as of December 31, 2012

	Dec. 31, 2011	Dec. 31, 2012
	€	€
EQUITY AND LIABILITIES		
Equity		
Capital stock	1,535,000	1,536,000
Capital reserves	319,134,214	331,997,881
Other retained earnings	5,467,984	5,467,984
Profit carried forward	41,635,420	41,635,420
Balance sheet profit	0	0
	367,772,618	**380,637,285**
Provisions		
Provisions for pensions and other post-employment benefits	10,042,827	17,248,962
Other provisions	7,260,182	5,358,119
	17,303,009	**22,607,082**
Other liabilities		
Liabilities to banks	96	75
Trade accounts payable	6,898,738	10,470,227
of which to affiliated companies	*[1,630,101]*	*[4,668,987]*
Miscellaneous liabilities	884,696	1,209,642
of which for taxes	*[276,444]*	*[374,556]*
of which for social security	*[114,479]*	*[120,939]*
of which due in < 1 year	*[876,149]*	*[1,200,167]*
of which due in between 1 and 5 years	*[8,547]*	*[9,475]*
	7,783,530	**11,679,944**
Deferred income	**2,180,174**	**653,206**
	395,039,330	**415,577,517**

Contingent liabilities in accordance with § 251 of the German Commercial Code (HGB)
There are contingent liabilities of EUR 196,738 (2011: EUR 50,000).

Leverkusen, June 4, 2013

Bayer Real Estate GmbH
Managing Director

Michael Müller

Changes in Noncurrent Assets of Bayer Real Estate GmbH, Leverkusen, in the period from January 1 to December 31, 2012

	Gross carrying amounts						Net carrying amounts
	As of: Jan. 1, 2012	Additions	Transfers/ reclassifications	Retirements	As of: Dec. 31, 2012	Accumulated „depreciation/ amortization/ write-downs" As of: Dec. 31, 2012	As of: Dec. 31, 2012
	€	€	€	€	€	€	€
Intangible assets							
Concessions, industrial property rights, similar rights and assets and licenses thereunder	1,580,232	2,628	0	0	1,582,861	1,332,395	250,466
Goodwill	0	0	0	0	0	0	0
Advance payments	0	0	0	0	0	0	0
	1,580,232	**2,628**	**0**	**0**	**1,582,861**	**1,332,395**	**250,466**
Property, plant and equipment							
Land and buildings	567,436,426	471,181	1,408,594	(540,969,136)	28,347,064	6,209,908	22,137,156
Machinery and technical equipment	3,281,274	337,560	290,046	(2,602,016)	1,306,863	269,457	1,037,406
Furniture, fixtures and other equipment	8,206,728	221,915	14,209	(3,651,747)	4,791,105	3,234,438	1,556,667
Advance payments and assets under construction	2,983,405	4,741,900	(1,712,849)	0	6,012,456	0	6,012,456
	581,907,832	**5,772,555**	**0**	**(547,222,899)**	**40,457,488**	**9,713,803**	**30,743,685**
Investments							
Investments in affiliated companies	0	286,593,294	0	0	286,593,294	0	286,593,294
Loans to affiliated companies	0	0	0	0	0	0	0
Other investments	50,000	0	0	0	50,000	0	50,000
Other loans	9,867	0	0	(9,867)	0	0	0
	59,867	**286,593,294**	**0**	**(9,867)**	**286,643,294**	**0**	**286,643,294**
Total noncurrent assets	**583,547,931**	**292,368,478**	**0**	**(547,232,766)**	**328,683,643**	**11,046,197**	**317,637,446**

Changes in Noncurrent Assets of Bayer Real Estate GmbH, Leverkusen, in the period from January 1 to December 31, 2012

	Depreciation/amortization/write-downs					
	As of: Jan. 1, 2012	Additions	Exceptional additions	Transfers/ reclassifications	Retirements	Accumulated depreciation/ amortization/ write-downs As of: Dec. 31, 2012
	€	€	€	€	€	€
Intangible assets						
Concessions, industrial property rights, similar rights and assets and licenses thereunder	1,085,720	246,674	0	0	0	1,332,395
Goodwill	0	0	0	0	0	0
Advance payments	0	0	0	0	0	0
	1,085,720	**246,674**	**0**	**0**	**0**	**1,332,395**
Property, plant and equipment						
Land and buildings	253,710,102	6,937,290		(27,332)	(254,410,152)	6,209,908
Machinery and technical equipment	517,281	147,243	0	27,332	(422,398)	269,457
Furniture, fixtures and other equipment	4,046,723	701,458	0	0	(1,513,743)	3,234,438
Advance payments and assets under construction	0	0	0	0	0	0
	258,274,106	**7,785,990**	**0**	**0**	**(256,346,293)**	**9,713,803**
Investments						
Investments in affiliated companies	0	0	0	0	0	0
Loans to affiliated companies	0	0	0	0	0	0
Other investments	0	0	0	0	0	0
Other loans	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Total depreciation, amortization and write-downs	**259,359,826**	**8,032,665**	**0**	**0**	**(256,346,293)**	**11,046,197**

CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

in the form of an

Amendment Agreement to the Profit and Loss Transfer Agreement dated March 11, 2003,

between

Bayer Aktiengesellschaft, Leverkusen, (“BAYER”)

and

Erste K-W-A Beteiligungsgesellschaft mbH, Leverkusen, (“1. KWA”)

The Parties entered into a Profit and Loss Transfer Agreement on March 11, 2003. To reflect a subsequent change in the company’s name to 1. KWA (formerly “Erste BV GmbH”) and the amendments to statutory provisions, the Parties have amended the Agreement in its entirety as follows, adding the element of control:

§ 1. Management

(1) 1. KWA places the management of its company under the control of BAYER. BAYER is thus entitled to issue instructions to the Management of 1. KWA with regard to the management of the company. The provisions of section 308 of the AktG, as amended, shall apply, with the necessary modifications.

(2) BAYER shall only exercise its right to issue instructions through the Board of Management. Any instruction must be issued in writing.

§ 2. Profit Transfer

(1) 1. KWA agrees to transfer its entire profit to BAYER. The provisions of section 301 of the AktG, as amended, shall apply, with the necessary modifications.

(2) 1. KWA may transfer amounts from its net income for the year to other retained earnings (section 272(3) of the German Commercial Code (HGB)) with BAYER’s consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the term of the Agreement in accordance with section 272(3) of the HGB shall be released if required by BAYER.

(3) The transfer of amounts resulting from the release of other retained earnings in accordance with section 272(3) of the HGB created before the commencement of this Agreement or from capital reserves is excluded.

§ 3. Absorption of Losses

The provisions of section 302 of the AktG, as amended, shall apply, with the necessary modifications.

§ 4. Effective Date and Duration

(1) This Agreement requires the approval of the Annual Stockholders' Meeting of BAYER and the Annual Members' Meeting of 1. KWA.

(2) The amended Agreement shall take effect upon entry in the commercial register at the domicile of 1. KWA and shall apply retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. The right to issue instructions can only be exercised after the Agreement has been entered as amended in the commercial register at the domicile of 1. KWA. The original version of the Agreement shall apply for the period prior to the effective date of the amended Agreement.

(3) The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the amended Agreement takes effect. If the Agreement is not terminated, it shall be automatically extended by one fiscal year in each case, subject to the same notice period.

(4) The right to terminate the Agreement for good cause without compliance with any notice period is not affected. In particular, BAYER is entitled to terminate the Agreement for good cause if it no longer holds a majority interest in 1. KWA, another investor has acquired a stake in 1. KWA, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. Good cause for extraordinary termination shall also extend, in particular, to the merger, split-off, or liquidation of one of the Parties.

§ 5. Other Provisions

The ineffectiveness or unenforceability of one or more provisions of this Agreement shall not affect the validity of the remaining provisions.

Leverkusen, February 17, 2014

Bayer Aktiengesellschaft

Leverkusen, February 17, 2014

Erste K-W-A Beteiligungsgesellschaft mbH

JOINT REPORT

by the Board of Management of Bayer Aktiengesellschaft, Leverkusen, (“BAYER”)

and the

Management of Erste K-W-A Beteiligungsgesellschaft mbH, Leverkusen, (“1. KWA”)

on the Control and Profit and Loss Transfer Agreement dated February 17, 2014,

in accordance with section 293a of the German Stock Corporation Act (AktG)

In order to inform their stockholders and members and to prepare the resolution for the Annual Stockholders’ Meeting of BAYER and the Annual Members’ Meeting of 1. KWA, the Board of Management of BAYER and the Management of 1. KWA are submitting the following joint report on the Control and Profit and Loss Transfer Agreement dated February 17, 2014, between BAYER and 1. KWA in the form of an Amendment Agreement to the Profit and Loss Transfer Agreement dated March 11, 2003:

1. AMENDMENT AGREEMENT; EFFECTIVE DATE

The Amendment Agreement to the Profit and Loss Transfer Agreement dated March 11, 2003, was entered into on February 17, 2014. It will be submitted for approval in accordance with sections 293 and 295 of the AktG to BAYER’s Annual Stockholders’ Meeting on April 29, 2014. It is planned that 1. KWA’s Annual Members’ Meeting will approve the conclusion of the Amendment Agreement by way of a notarized resolution dated February 27, 2014. The Amendment Agreement must also be entered in the commercial register at the domicile of 1. KWA in order to take effect.

2. PARTIES TO THE AGREEMENT

BAYER is a German stock corporation (Aktiengesellschaft) entered in the commercial register of the Cologne Local Court (Amtsgericht) under the number HRB 48248 with its registered office in Leverkusen. BAYER’s fiscal year is the calendar year. According to the company’s Articles of Incorporation, the purpose of the company is manufacturing, marketing and other industrial activities, or the provision of services, in the fields of health care, agriculture, polymers and chemicals. BAYER is the parent company of the Bayer Group. The Bayer Group conducts its operations in three subgroups: Bayer HealthCare, Bayer Crop-Science and Bayer MaterialScience. These are supported by three service companies.

BAYER’s total assets in 2011 and 2012 were approximately €38 billion and approximately €36 billion, respectively, and its distributable profit was €1,364 billion in 2011 and €1,571 billion in 2012. In 2013, total assets were approximately €38 billion and distributable profit was €1,764 million.

1. KWA is a German limited liability company (Gesellschaft mit beschränkter Haftung) entered in the commercial register of the Cologne Local Court under the number HRB 50509. It was formerly known as Erste BV GmbH. Its fiscal year is the calendar year. The company’s registered office is in Leverkusen. 1. KWA’s capital stock amounts to €30,000. The sole member is BAYER. The purpose of the company is to manage its own assets, including, in particular, a 94% stake in Bayer 04 Leverkusen Fußball GmbH.

1. KWA's total assets in fiscal years 2010, 2011 and 2012 were €83.2 million, €65.4 million and €70.4 million, respectively. In those years, Bayer AG offset losses of €24.5 million, €6.7 million and €11.6 million, respectively, by way of loss absorption. These primarily relate to losses incurred by Bayer 04 Leverkusen Fußball GmbH that 1. KWA was required to absorb on the basis on a profit and loss transfer agreement with that company. A substantial profit for fiscal year 2013 is expected at Bayer 04 Leverkusen Fußball GmbH and consequently also at 1. KWA.

3. EXPLANATION OF THE AMENDMENT AGREEMENT

1. Management

In accordance with the new provision incorporated into § 1 of the Control and Profit and Loss Transfer Agreement, as amended by the Amendment Agreement, 1. KWA places the management of its company under the control of BAYER. BAYER is entitled to issue instructions to the Management of 1. KWA with regard to the management of the company. To the extent that no instructions are issued, the Management of 1. KWA manages the company at its own responsibility.

The right to issue instructions is determined in accordance with section 308 of the AktG. 1. KWA is required to follow legitimate instructions. Instructions can also be issued that are detrimental to 1. KWA if they serve the interests of BAYER and companies that are members of the Bayer Group. The Management is not required to comply with any prohibited instructions, for example, instructions that would violate mandatory statutory provisions if they were to be followed. Furthermore, no instruction to amend, maintain, or terminate the Agreement may be issued.

2. Profit Transfer

In accordance with § 2 of the Agreement, as amended by the Amendment Agreement, 1. KWA agrees to transfer its entire profit to BAYER. Subject to the creation or release of reserves, net income for the year before transfer of profit, reduced by any loss carried forward from the previous year and by the amount subject to a restriction on distribution in accordance with section 268(8) of the HGB, must be transferred. 1. KWA may transfer amounts from net income for the year to other retained earnings with BAYER's consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the course of the Agreement must be released if required by BAYER and must be used to offset the net loss for any year or transferred as profit. These provisions correspond to the restrictions on transferring profit set out in section 301 of the AktG that apply in this case, with the necessary modifications. Section 301 of the AktG, as amended, also applies, with the necessary modifications.

In this respect, there are no material changes from the corresponding provision of the original version of the Agreement. Aside from minor, insignificant editorial changes, the amendments essentially relate solely to the provisions of section 301 of the AktG, whose application with the necessary modifications had already been prescribed in the original Agreement. There is also a dynamic reference to section 301 of the AktG ("as amended").

3. Absorption of Losses

In accordance with § 3 of the Agreement, as amended by the Amendment Agreement, BAYER is required to absorb the losses in accordance with section 302 of the AktG, as amended. Pursuant to section 302 of the AktG, BAYER is obligated to compensate any net loss for the year arising during the term of the Agreement to the extent that it is not offset by withdrawing amounts from other retained earnings that were transferred to them during the course of the Agreement. By way of application of section 302(3) of the AktG, with the necessary modifications, 1. KWA may not waive or settle the claim to have losses offset until three years after the date on which entry of the termination of the Agreement in the commercial register is deemed to have been announced. In accordance with section 302(4) of the AktG, the statute of limitation for any claims by 1. KWA is ten years starting from the day on which notice of the entry of the termination of the Agreement in the commercial register has been announced pursuant to section 10 of the HGB.

The provision on the absorption of losses also remains essentially unchanged. The only material change is the dynamic reference to section 302 of the AktG ("as amended").

4. Effective Date and Duration

The Agreement, as amended by the Amendment Agreement, takes effect upon entry in the commercial register at the domicile of 1. KWA and applies retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. For the period prior to the effective date of the Agreement, as amended by the Amendment Agreement, the original Agreement dated March 11, 2003, applies. This explains the order of the phased applicability of the different versions.

The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the Agreement, as amended by the Amendment Agreement, takes effect. A minimum term of five years from the effective date of the Agreement, as amended, is again agreed in this respect.

If the Agreement is not terminated, it will be automatically extended by one fiscal year in each case, subject to the same notice period. The existing requirement continues to apply in this respect.

In addition, the Agreement can be terminated for good cause without compliance with any notice period. This applies especially to BAYER in the event that BAYER no longer holds a majority interest in 1. KWA, another investor has acquired a stake in 1. KWA, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. In accordance with R 60(6) sentence 2 of the KStR of 2004, good cause for extraordinary termination also extends to the sale or contribution of the tax group subsidiary by the tax group parent as well as to the merger, split-off, or liquidation of the tax group parent or the tax group subsidiary. The latter case is explicitly defined in the Agreement as good cause. The reasons for termination for good cause are thus specified in greater detail than in § 3 of the original Agreement. The only new feature is the possibility to terminate the Agreement in the event of the merger, split-off, or liquidation of one of the Parties. This is advisable as set out in administrative order R 60(6) sentence 2 of the KStR of 2004.

5. Miscellaneous

The amended Agreement, like the original Agreement, does not provide for any compensation payments or any settlement for noncontrolling interest shareholders because BAYER is the sole member of 1. KWA.

Since BAYER holds all of the shares of 1. KWA, no examination of the Amendment Agreement by an expert auditor (contract auditor) is required under section 293b(1) of the AktG, with the necessary modifications, and no report on any audit must be prepared under section 293e of the AktG.

4. ECONOMIC IMPORTANCE AND PURPOSE OF THE AMENDMENT AGREEMENT

The Amendment Agreement primarily serves the purpose of maintaining the consolidated tax group between BAYER and 1. KWA. With regard to the obligation to absorb losses in particular, a dynamic reference to section 302 of the AktG must be made because such a reference requires the application section 17 sentence 2 no. 2 of the German Corporate Income Tax Act (KStG) since its most recent amendment. In addition, section 14(1) sentence 1 no. 3 of the KStG sets out that the Profit and Loss Transfer Agreement must be concluded for a minimum of five years. While section 34(10b) sentence 4 of the KStG establishes that amendment agreements relating to the dynamic reference to section 302 of the AktG are not considered new agreements for the application of section 14(1) sentence 1 no. 3 of the KStG, it is unclear whether this also applies to agreements that contain further changes, especially where, as in this case, a control element is added.. To avoid these interpretation difficulties and the associated possible disallowance of the consolidated tax group, it is agreed that notice of termination may not be given prior to the expiration of five years after the entry into force of the amended Agreement. This is because it is assumed that the amended Agreement will have a term of at least five years.

The consolidated tax group for corporate income tax and trade tax purposes thus maintained results in consolidated taxation of 1. KWA (the tax group subsidiary) and BAYER (the tax group parent). This enables profits and losses to be offset against each other for tax purposes. Only BAYER as the tax group parent is thus liable for corporate income tax and trade tax. The Amendment Agreement therefore still enables the tax-optimized recognition of the profits and losses of 1. KWA in the context of a consolidated tax group for corporate income tax and trade tax purposes.

The new requirements concerning the management of 1. KWA that have been included in the Amendment Agreement will strengthen BAYER's authorization to manage the Group, including in relation to potential detrimental instructions possibly serving the interests of the Group.

Apart from this, no material changes to the content have been made; most of the modifications merely entail editorial changes. The changes therefore do not have any financial or operating effects for the companies involved.

On the whole, the Agreement, as amended by the Amendment Agreement, contains the standard provisions agreed when a group of companies is established.

5. ALTERNATIVES TO ENTERING INTO THE CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

There was no economically reasonable alternative to entering into the Amendment Agreement between BAYER and 1. KWA that could have achieved the objectives described above in the same manner or better. In particular, entering into other types of intercompany agreement within the meaning of section 292 of the AktG (agreement to lease a business, agreement to transfer a business, profit pooling, or partial profit transfer agreement) or a management agreement cannot maintain the consolidated taxation of BAYER and 1. KWA.

Additionally, BAYER's right to issue instructions cannot be achieved in an identical or better manner by means of a different measure.

Leverkusen, February 17, 2014

Bayer Aktiengesellschaft
The Board of Management

Dr. Dekkers

Baumann

König

Malik

Dr. Plischke

Leverkusen, February 17, 2014

Erste K-W-A Beteiligungsgesellschaft mbH
Executive Board

Dr. Semrau

Jansen-Frisch

Income Statement of Erste K-W-A Beteiligungsgesellschaft mbH, Leverkusen, for the period from January 1 to December 31, 2010

	2009	2010
	€	€
General administration expenses	(22,294)	(31,226)
Other operating income	4,000	0
Other operating expenses	(561)	(6,378)
Operating result	**(18,855)**	**(37,604)**
Income from profit and loss transfer agreements with affiliated companies	2,106,967	0
Expenses from profit and loss transfer agreements with affiliated companies	(15,537,846)	(24,306,833)
	(13,430,879)	**(24,306,833)**
Other interest and similar income	191	0
of which from affiliated companies	*[191]*	*[0]*
Interest and similar expenses	(37,412)	(138,757)
of which to affiliated companies	*[(37,412)]*	*[(138,757)]*
	(37,221)	**(138,757)**
Miscellaneous financial expenses	(2,106,967)	0
	(2,106,967)	**0**
Financial result	**(15,575,067)**	**(24,445,590)**
Income before income taxes	**(15,593,922)**	**(24,483,194)**
Income from assumption of losses	15,593,922	24,483,194
Net income/loss	**0**	**0**

Balance Sheet of Erste K-W-A Beteiligungsgesellschaft mbH, Leverkusen, as of December 31, 2010

	Dec. 31, 2009	Dec. 31, 2010
	€	€
ASSETS		
Noncurrent assets		
Investments	58,718,282	58,718,282
	58,718,282	**58,718,282**
Current assets		
Receivables from affiliated companies	15,593,922	24,483,194
of which from the parent company	*[15,593,922]*	*[24,483,194]*
Other assets	5,818	0
	15,599,740	**24,483,194**
	74,318,022	**83,201,476**
EQUITY AND LIABILITIES		
Equity		
Capital stock	30,000	30,000
Capital reserve	33,713,281	33,713,281
Net income/loss	0	0
	33,743,281	**33,743,281**
Liabilities		
Payables to affiliated companies	40,574,741	49,458,195
of which to the parent company	*[25,036,895]*	*[25,363,004]*
of which due in < 1 year	*[40,574,741]*	*[49,458,195]*
	40,574,741	**49,458,195**
	74,318,022	**83,201,476**

Leverkusen, February 10, 2011

Erste K-W-A Beteiligungsgesellschaft mbH
Executive Board

Bier

Hubbuch

Changes in Noncurrent Assets of Erste K-W-A Beteiligungsgesellschaft mbH, Leverkusen, in the period from January 1 to December 31, 2010

	Gross carrying amounts						Net carrying amount
	As of: Jan. 1, 2010	Additions	Transfers / reclassifcations	Retirements	As of: Dec. 31, 2010	Accumulated write-downs As of: Dec. 31, 2010	As of: Dec. 31, 2010
	€	€	€	€	€	€	€
Investments							
Investments in affiliated companies	58,718,282	0	0	0	58,718,282	0	58,718,282
	58,718,282	**0**	**0**	**0**	**58,718,282**	**0**	**58,718,282**
Total noncurrent assets	**58,718,282**	**0**	**0**	**0**	**58,718,282**	**0**	**58,718,282**

	Write-downs					
	As of: Jan. 1, 2010	Additions	Exceptional additions	Transfers / reclassifcations	Retirements	Accumulated write-downs As of: Dec. 31, 2010
	€	€	€	€	€	€
Investments						
Investments in affiliated companies	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Total write-downs	**0**	**0**	**0**	**0**	**0**	**0**

Income Statement of Erste K-W-A Beteiligungsgesellschaft mbH, Leverkusen, for the period from January 1 to December 31, 2011

	2010	2011
	€	€
General administration expenses	(31,226)	(31,886)
Other operating expenses	(6,378)	(509)
Operating result	**(37,604)**	**(32,395)**
Expenses from profit and loss transfer agreements with affiliated companies	(24,306,833)	(6,395,026)
	(24,306,833)	**(6,395,026)**
Other interest and similar income	0	5
of which from affiliated companies	*[0]*	*[5]*
Interest and similar expenses	(138,757)	(298,476)
of which to affiliated companies	*[(138,757)]*	*[(298,476)]*
	(138,757)	**(298,471)**
Financial result	**(24,445,590)**	**(6,693,497)**
Income before income taxes	**(24,483,194)**	**(6,725,892)**
Income from assumption of losses	24,483,194	6,725,892
Net income/loss	**0**	**0**

Balance Sheet of Erste K-W-A Beteiligungsgesellschaft mbH, Leverkusen, as of December 31, 2011

	Dec. 31, 2010	Dec. 31, 2011
	€	€
ASSETS		
Noncurrent assets		
Investments	58,718,282	58,718,282
	58,718,282	**58,718,282**
Current assets		
Receivables from affiliated companies	24,483,194	6,725,913
of which from the parent company	*[24,483,194]*	*[6,725,913]*
	24,483,194	**6,725,913**
	83,201,476	**65,444,195**
EQUITY AND LIABILITIES		
Equity		
Capital stock	30,000	30,000
Capital reserve	33,713,281	33,713,281
Net income/loss	0	0
	33,743,281	**33,743,281**
Liabilities		
Payables to affiliated companies	49,458,195	31,700,914
of which to the parent company	*[25,363,004]*	*[25,688,436]*
of which due in < 1 year	*[49,458,195]*	*[31,700,914]*
	49,458,195	**31,700,914**
	83,201,476	**65,444,195**

Leverkusen, March 26, 2012

Erste K-W-A Beteiligungsgesellschaft mbH
Executive Board

Bier

Jansen-Frisch

Changes in Noncurrent Assets of Erste K-W-A Beteiligungsgesellschaft mbH, Leverkusen, in the period from January 1 to December 31, 2011

	Gross carrying amounts						Net carrying amounts
	As of: Jan. 1, 2011	Additions	Transfers / reclassifcations	Retirements	As of: Dec. 31, 2011	Accumulated write-downs As of: Dec. 31, 2011	As of: Dec. 31, 2011
	€	€	€	€	€	€	€
Investments							
Investments in affiliated companies	58,718,282	0	0	0	58,718,282	0	58,718,282
	58,718,282	**0**	**0**	**0**	**58,718,282**	**0**	**58,718,282**
Total noncurrent assets	**58,718,282**	**0**	**0**	**0**	**58,718,282**	**0**	**58,718,282**

	Write-downs					
	As of: Jan. 1, 2011	Additions	Transfers / reclassifcations	Transfers / reclassifcations	Retirements	Accumulated write-downs As of: Dec. 31, 2011
	€	€	€	€	€	€
Investments						
Investments in affiliated companies	0	0	0	0	0	0
	0	**0**	**0**	**0**	**0**	**0**
Total write-downs	**0**	**0**	**0**	**0**	**0**	**0**

Income Statement of Erste K-W-A Beteiligungsgesellschaft mbH, Leverkusen, for the period from January 1 to December 31, 2012

	2011	2012
	€	€
General administration expenses	(31,886)	(42,081)
Other operating expenses	(509)	(511)
Operating result	**(32,395)**	**(42,592)**
Expenses from profit and loss transfer agreements with affiliated companies	(6,395,026)	(11,505,368)
	(6,395,026)	**(11,505,368)**
Other interest and similar income	5	1,031
of which from affiliated companies	*[5]*	*[1,031]*
Interest and similar expenses	(298,476)	(94,458)
of which to affiliated companies	*[(298,476)]*	*[(94,458)]*
	(298,471)	**(94,427)**
Financial result	**(6,693,497)**	**(11,598,795)**
Income before income taxes	**(6,725,892)**	**(11,641,387)**
Income from assumption of losses	6,725,892	11,641,387
Net loss	**0**	**0**

Balance Sheet of Erste K-W-A Beteiligungsgesellschaft mbH, Leverkusen, as of December 31, 2012

	Dec. 31, 2011	Dec. 31, 2012
	€	€
ASSETS		
Noncurrent assets		
Investments	58,718,282	58,718,282
	58,718,282	**58,718,282**
Current assets		
Receivables from affiliated companies	6,725,913	11,641,387
of which from the parent company	*[6,725,913]*	*[11,641,387]*
	6,725,913	**11,641,387**
	65,444,195	**70,359,669**
EQUITY AND LIABILITIES		
Equity		
Capital stock	30,000	30,000
Capital reserve	33,713,281	33,713,281
	33,743,281	**33,743,281**
Other liabilities		
Payables to affiliated companies	31,700,914	36,616,388
of which to the parent company	*[25,688,436]*	*[25,106,242]*
of which due in < 1 year	*[31,700,914]*	*[36,616,388]*
	31,700,914	**36,616,388**
	65,444,195	**70,359,669**

Leverkusen, October 28, 2013

Erste K-W-A Beteiligungsgesellschaft mbH
Executive Board

Dr. Semrau

Jansen-Frisch

CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

in the form of an

Amendment Agreement to the Profit and Loss Transfer Agreement dated March 11, 2003,

between

Bayer Aktiengesellschaft, Leverkusen, ("BAYER")

and

Zweite K-W-A Beteiligungsgesellschaft mbH, Leverkusen, ("2. KWA")

The Parties entered into a Profit and Loss Transfer Agreement on March 11, 2003. To reflect a subsequent change in the company's name to 2. KWA (formerly "Zweite BV GmbH") and the amendments to statutory provisions, the Parties have amended the Agreement in its entirety as follows, adding the element of control:

§ 1. Management

(1) 2. KWA places the management of its company under the control of BAYER. BAYER is thus entitled to issue instructions to the Management of 2. KWA with regard to the management of the company. The provisions of section 308 of the AktG, as amended, shall apply, with the necessary modifications.

(2) BAYER shall only exercise its right to issue instructions through the Board of Management. Any instruction must be issued in writing.

§ 2. Profit Transfer

(1) 2. KWA agrees to transfer its entire profit to BAYER. The provisions of section 301 of the AktG, as amended, shall apply, with the necessary modifications.

(2) KWA may transfer amounts from its net income for the year to other retained earnings (section 272(3) of the German Commercial Code (HGB)) with BAYER's consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the term of the Agreement in accordance with section 272(3) of the HGB shall be released if required by BAYER.

(3) The transfer of amounts resulting from the release of other retained earnings in accordance with section 272(3) of the HGB created before the commencement of this Agreement or from capital reserves is excluded.

§ 3. Absorption of Losses

The provisions of section 302 of the AktG, as amended, shall apply, with the necessary modifications.

§ 4. Effective Date and Duration

(1) This Agreement requires the approval of the Annual Stockholders' Meeting of BAYER and the Annual Members' Meeting of 2. KWA.

(2) The amended Agreement shall take effect upon entry in the commercial register at the domicile of 2. KWA and shall apply retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. The right to issue instructions can only be exercised after the Agreement has been entered as amended in the commercial register at the domicile of 2. KWA. The original version of the Agreement shall apply for the period prior to the effective date of the amended Agreement.

(3) The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the amended Agreement takes effect. If the Agreement is not terminated, it shall be automatically extended by one fiscal year in each case, subject to the same notice period.

(4) The right to terminate the Agreement for good cause without compliance with any notice period is not affected. In particular, BAYER is entitled to terminate the Agreement for good cause if it no longer holds a majority interest in 2. KWA, another investor has acquired a stake in 2. KWA, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. Good cause for extraordinary termination shall also extend, in particular, to the merger, split-off, or liquidation of one of the Parties.

§ 5. Other Provisions

The ineffectiveness or unenforceability of one or more provisions of this Agreement shall not affect the validity of the remaining provisions.

Leverkusen, February 17, 2014	Leverkusen, February 17, 2014
Bayer Aktiengesellschaft	Zweite K-W-A Beteiligungsgesellschaft mbH

JOINT REPORT

by the Board of Management of Bayer Aktiengesellschaft, Leverkusen, ("BAYER")

and the

Management of Zweite K-W-A Beteiligungsgesellschaft mbH, Leverkusen, ("2. KWA")

on the Control and Profit and Loss Transfer Agreement dated February 17, 2014

in accordance with section 293a of the German Stock Corporation Act (AktG

In order to inform their stockholders and members and to prepare the resolution for the Annual Stockholders' Meeting of BAYER and the Annual Members' Meeting of 2. KWA, the Board of Management of BAYER and the Management of 2. KWA are submitting the following joint report on the Control and Profit and Loss Transfer Agreement dated February 17, 2014, between BAYER and 2. KWA in the form of an Amendment Agreement to the Profit and Loss Transfer Agreement dated March 11, 2003:

1. AMENDMENT AGREEMENT; EFFECTIVE DATE

The Amendment Agreement to the Profit and Loss Transfer Agreement dated March 11, 2003, was entered into on February 17, 2014. It will be submitted for approval in accordance with sections 293 and 295 of the AktG to BAYER's Annual Stockholders' Meeting on April 29, 2014. It is planned that 2. KWA's Annual Members' Meeting will approve the conclusion of the Amendment Agreement by way of a notarized resolution dated February 27, 2014. The Amendment Agreement must also be entered in the commercial register at the domicile of 2. KWA in order to take effect.

2. PARTIES TO THE AGREEMENT

BAYER is a German stock corporation (Aktiengesellschaft) entered in the commercial register of the Cologne Local Court (Amtsgericht) under the number HRB 48248 with its registered office in Leverkusen. BAYER's fiscal year is the calendar year. According to the company's Articles of Incorporation, the purpose of the company is manufacturing, marketing and other industrial activities, or the provision of services, in the fields of health care, agriculture, polymers and chemicals. BAYER is the parent company of the Bayer Group. The Bayer Group conducts its operations in three subgroups: Bayer HealthCare, Bayer Crop-Science and Bayer MaterialScience. These are supported by three service companies.

BAYER's total assets in 2011 and 2012 were approximately €38 billion and approximately €36 billion, respectively, and its distributable profit was €1,364 billion in 2011 and €1,571 billion in 2012. In 2013, total assets were approximately €38 billion and distributable profit was €1,764 million.

2. KWA is a German limited liability company (Gesellschaft mit beschränkter Haftung) entered in the commercial register of the Cologne Local Court under the number HRB 50562. It was formerly known as Zweite BV GmbH. Its fiscal year is the calendar year. The company's registered office is in Leverkusen. 2. KWA's capital stock amounts to €25,000. The sole member is

BAYER. The purpose of the company is to establish, acquire and invest in other enterprises, especially Bayer Group companies. 2. KWA currently has interests in three companies of the Bayer Group, notably a stake of approximately 57% in Bayer Antwerpen N.V., Belgium.

2. KWA's total assets amounted to €3,444 billion in fiscal years 2010, 2011 and 2012; the net loss before loss absorption amounted to €47,998 in 2010, €24,364 in 2011, €25,876 in 2012 and €42,100 in 2013. In each case, this was attributable to expenses for the administration of the company.

3. EXPLANATION OF THE AMENDMENT AGREEMENT

1. Management

In accordance with the new provision incorporated into § 1 of the Control and Profit and Loss Transfer Agreement, as amended by the Amendment Agreement, 2. KWA places the management of its company under the control of BAYER. BAYER is entitled to issue instructions to the Management of 2. KWA with regard to the management of the company. To the extent that no instructions are issued, the Management of 2. KWA manages the company at its own responsibility.

The right to issue instructions is determined in accordance with section 308 of the AktG. 2. KWA is required to follow legitimate instructions. Instructions can also be issued that are detrimental to 2. KWA if they serve the interests of BAYER and companies that are members of the Bayer Group. The Management is not required to comply with any prohibited instructions, for example, instructions that would violate mandatory statutory provisions if they were to be followed. Furthermore, no instruction to amend, maintain, or terminate the Agreement may be issued.

2. Profit Transfer

In accordance with § 2 of the Agreement, as amended by the Amendment Agreement, 2. KWA agrees to transfer its entire profit to BAYER. Subject to the creation or release of reserves, net income for the year before transfer of profit, reduced by any loss carried forward from the previous year and by the amount subject to a restriction on distribution in accordance with section 268(8) of the HGB, must be transferred. 2. KWA may transfer amounts from net income for the year to other retained earnings with BAYER's consent to the extent that this is permissible under commercial law and is economically justified, based on prudent business judgment. Other retained earnings created during the course of the Agreement must be released if required by BAYER and must be used to offset the net loss for any year or transferred as profit. These provisions correspond to the restrictions on transferring profit set out in section 301 of the AktG that apply in this case, with the necessary modifications. Section 301 of the AktG, as amended, also applies, with the necessary modifications.

In this respect, there are no material changes from the corresponding provision of the original version of the Agreement. Aside from editorial changes, the amendments essentially relate solely to the provisions of section 301 of the AktG, whose application with the necessary modifications had already been prescribed in the original Agreement. There is also a dynamic reference to section 301 of the AktG ("as amended").

3. Absorption of Losses

In accordance with § 3 of the Agreement, as amended by the Amendment Agreement, BAYER is required to absorb the losses in accordance with section 302 of the AktG, as amended. Pursuant to section 302 of the AktG, BAYER is obligated to compensate any net loss for the year arising during the term of the Agreement to the extent that it is not offset by withdrawing amounts from other retained earnings that were transferred to them during the course of the Agreement. By way of application of section 302(3) of the AktG, with the necessary modifications, 2. KWA may not waive or settle the claim to have losses offset until three years after the date on which entry of the termination of the Agreement in the commercial register is deemed to have been announced. In accordance with section 302(4) of the AktG, the statute of limitation for any claims by 2. KWA is ten years starting from the day on which notice of the entry of the termination of the Agreement in the commercial register has been announced pursuant to section 10 of the HGB.

The provision on the absorption of losses also remains essentially unchanged. The only noteworthy change is the dynamic reference to section 302 of the AktG ("as amended").

4. Effective Date and Duration

The Agreement, as amended by the Amendment Agreement, takes effect upon entry in the commercial register at the domicile of 2. KWA and applies retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. For the period prior to the effective date of the Agreement, as amended by the Amendment Agreement, the original Agreement dated March 11, 2003, applies. This explains the order of the phased applicability of the different versions.

The Agreement can be terminated by giving regular notice of termination effective as of the end of a fiscal year with six months' notice, but for the first time as of the end of the fiscal year that ends at least five years after the beginning of the fiscal year in which the Agreement, as amended by the Amendment Agreement, takes effect. A minimum term of five years from the effective date of the Agreement, as amended, is again agreed in this respect.

If the Agreement is not terminated, it will be automatically extended by one fiscal year in each case, subject to the same notice period. The existing requirement continues to apply in this respect.

In addition, the Agreement can be terminated for good cause without compliance with any notice period. This applies especially to BAYER in the event that BAYER no longer holds a majority interest in 2. KWA, another investor has acquired a stake in 2. KWA, or one of the cases set out in administrative order R 60(6) sentence 2 of the German Corporate Income Tax Guidelines (KStR) of 2004 or an administrative order replacing it applies. In accordance with R 60(6) sentence 2 of the KStR of 2004, good cause for extraordinary termination also extends to the sale or contribution of the tax group subsidiary by the tax group parent as well as to the merger, split-off, or liquidation of the tax group parent or the tax group subsidiary. The latter case is explicitly defined in the Agreement as good cause. The reasons for termination for good cause are thus specified in greater detail than in § 3 of the original Agreement. The only new feature is the possibility to terminate the Agreement in the event of the merger, split-off, or liquidation of one of the Parties. This is advisable as set out in administrative order R 60(6) sentence 2 of the KStR of 2004.

5. Miscellaneous

The amended Agreement, like the original Agreement, does not provide for any compensation payments or any settlement for noncontrolling interest shareholders because BAYER is the sole member of 2. KWA.

Since BAYER holds all of the shares of 2. KWA, no examination of the Amendment Agreement by an expert auditor (contract auditor) is required under section 293b(1) of the AktG, with the necessary modifications, and no report on any audit must be prepared under section 293e of the AktG.

4. ECONOMIC IMPORTANCE AND PURPOSE OF THE AMENDMENT AGREEMENT

The Amendment Agreement primarily serves the purpose of maintaining the consolidated tax group between BAYER and 2. KWA. With regard to the obligation to absorb losses in particular, a dynamic reference to section 302 of the AktG must be made because such a reference requires the application section 17 sentence 2 no. 2 of the German Corporate Income Tax Act (KStG) since its most recent amendment. In addition, section 14(1) sentence 1 no. 3 of the KStG sets out that the Profit and Loss Transfer Agreement must be concluded for a minimum of five years. While section 34(10b) sentence 4 of the KStG establishes that amendment agreements relating to the dynamic reference to section 302 of the AktG are not considered new agreements for the application of section 14(1) sentence 1 no. 3 of the KStG, it is unclear whether this also applies to agreements that contain further changes, especially where, as in this case, a control element is added.. To avoid these interpretation difficulties and the associated possible disallowance of the consolidated tax group, it is agreed that notice of termination may not be given prior to the expiration of five years after the entry into force of the amended Agreement. This is because it is assumed that the amended Agreement will have a term of at least five years.

The consolidated tax group for corporate income tax and trade tax purposes thus maintained results in consolidated taxation of 2. KWA (the tax group subsidiary) and BAYER (the tax group parent). This enables profits and losses to be offset against each other for tax purposes. Only BAYER as the tax group parent is thus liable for corporate income tax and trade tax. The Amendment Agreement therefore still enables the tax-optimized recognition of the profits and losses of 2. KWA in the context of a consolidated tax group for corporate income tax and trade tax purposes.

The new requirements concerning the management of 2. KWA that have been included in the Amendment Agreement will strengthen BAYER's authorization to manage the Group, including in relation to potential detrimental instructions possibly serving the interests of the Group.

Apart from this, no material changes to the content have been made; most of the modifications merely entail editorial changes. The changes therefore do not have any financial or operating effects for the companies involved.

On the whole, the Agreement, as amended by the Amendment Agreement, contains the standard provisions agreed when a group of companies is established.

5. ALTERNATIVES TO ENTERING INTO THE CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

There was no economically reasonable alternative to entering into the Amendment Agreement between BAYER and 2. KWA that could have achieved the objectives described above in the same manner or better. In particular, entering into other types of intercompany agreement within the meaning of section 292 of the AktG (agreement to lease a business, agreement to transfer a business, profit pooling, or partial profit transfer agreement) or a management agreement cannot maintain the consolidated taxation of BAYER and 2. KWA.

Additionally, BAYER's right to issue instructions cannot be achieved in an identical or better manner by means of a different measure.

Leverkusen, February 17, 2014

Bayer Aktiengesellschaft
The Board of Management

Marijn Dekkers
Dr. Dekkers

Baumann

König

Malik

Dr. Plischke

Leverkusen, February 17, 2014

Zweite K-W-A Beteiligungsgesellschaft mbH
Executive Board

Dr. Semrau

Held

Income Statement of Zweite K-W-A Beteiligungsgesellschaft mbH, Leverkusen, for the period from January 1 to December 31, 2011

	2010	2011
	€	€
General administration expenses	(47,058)	(23,090)
Other operating expenses	(561)	(561)
Operating result	**(47,619)**	**(23,651)**
Dividends and similar income	1	.
of which from affiliated companies	*[1]*	*[.]*
	1	**.**
Other interest and similar income	20	67
of which from affiliated companies	*[20]*	*[67]*
Interest and similar expenses	(400)	(762)
of which to affiliated companies	*[(400)]*	*[(762)]*
	(380)	**(695)**
Financial result	**(379)**	**(695)**
Income before income taxes	**(47,998)**	**(24,346)**
Income from assumption of losses	47,998	24,346
Net income/loss	**0**	**0**

Balance Sheet of Zweite K-W-A Beteiligungsgesellschaft mbH, Leverkusen, as of December 31, 2011

	Dec. 31, 2010	Dec. 31, 2011
	€	€
ASSETS		
Noncurrent assets		
Investments	3,444,123,238	3,444,123,238
	3,444,123,238	**3,444,123,238**
Current assets		
Receivables and other assets		
Receivables from affiliated companies	47,998	24,347
of which from the parent company	*[47,998]*	*[24,347]*
Other assets	5	0
	48,003	**24,347**
	3,444,171,241	**3,444,147,585**
EQUITY AND LIABILITIES		
Equity		
Capital stock	25,000	25,000
Capital reserve	3,444,047,252	3,444,047,252
Net income/loss	0	0
	3,444,072,252	**3,444,072,252**
Provisions		
Other provisions	2,000	2,000
	2,000	**2,000**
Other liabilities		
Payables to affiliated companies	96,989	73,333
of which to the parent company	*[96,989]*	*[71,764]*
of which due in < 1 year	*[96,989]*	*[73,333]*
	96,989	**73,333**
	3,444,171,241	**3,444,147,585**

Leverkusen, February 27, 2012

Zweite K-W-A Beteiligungsgesellschaft mbH
The Management

_________________________ _________________________
Bier Held

Changes in Noncurrent Assets of Zweite K-W-A Beteiligungsgesellschaft mbH, Leverkusen, in the period from January 1 to December 31, 2011

	Gross carrying amounts						Net carrying amounts
	As of: Jan 1, 2011	Additions	Transfers / reclassifcations	Retirements	As of: Dec. 31, 2011	Accumulated write-downs As of: Dec. 31, 2011	As of: Dec. 31, 2011
	€	€	€	€	€	€	€
Investments							
Investments in affiliated companies	3,444,123,238	0	0	0	3,444,123,238	0	3,444,123,238
	3,444,123,238	**0**	**0**	**0**	**3,444,123,238**	**0**	**3,444,123,238**
Total noncurrent assets	**3,444,123,238**	**0**	**0**	**0**	**3,444,123,238**	**0**	**3,444,123,238**

	Write-downs				
	As of: Jan 1, 2011	Additions	Transfers / reclassifcations	Retirements	Accumulated write-downs As of: Dec. 31, 2011
	€	€	€	€	€
Investments					
Investments in affiliated companies	0	0	0	0	0
	0	**0**	**0**	**0**	**0**
Total write-downs	**0**	**0**	**0**	**0**	**0**

Income Statement of Zweite K-W-A Beteiligungsgesellschaft mbH, Leverkusen, for the period from January 1 to December 31, 2012

	2011	2012
	€	€
General administration expenses	(23,090)	(25,160)
Other operating expenses	(561)	(516)
Operating result	**(23,651)**	**(25,676)**
Dividends and similar income	.	0
of which from affiliated companies	*[.]*	*[0]*
	.	**0**
Other interest and similar income	67	35
of which from affiliated companies	*[67]*	*[35]*
Interest and similar expenses	(762)	(235)
of which to affiliated companies	*[(762)]*	*[(235)]*
	(695)	**(200)**
Financial result	**(695)**	**(200)**
Income before income taxes	**(24,346)**	**(25,876)**
Income from assumption of losses	24,346	25,876
Net loss	**0**	**0**

Balance Sheet of Zweite K-W-A Beteiligungsgesellschaft mbH, Leverkusen, as of December 31, 2012

	Dec. 31, 2011	Dec. 31, 2012
	€	€
ASSETS		
Noncurrent assets		
Investments	3,444,123,238	3.444.123,389
	3,444,123,238	**3.444.123,389**
Current assets		
Receivables and other assets		
Receivables from affiliated companies	24,347	25,876
of which from the parent company	*[24,347]*	*[25,876]*
	24,347	**25,876**
	3,444,147,585	**3,444,149,265**
EQUITY AND LIABILITIES		
Equity		
Capital stock	25,000	25,000
Capital reserve	3,444,047,252	3,444,047,252
	3,444,072,252	**3,444,072,252**
Provisions		
Other provisions	2,000	2,500
	2,000	**2,500**
Other liabilities		
Payables to affiliated companies	73,333	74,513
of which to the parent company	*[71,764]*	*[69,735]*
of which due in < 1 year	*[73,333]*	*[74,513]*
	73,333	**74,513**
	3,444,147,585	**3,444,149,265**

Leverkusen, October 28, 2013

Zweite K-W-A Beteiligungsgesellschaft mbH
Executive Board

Dr. Semrau

Held

Income Statement of Zweite K-W-A Beteiligungsgesellschaft mbH, Leverkusen, for the period from January 1 to December 31, 2013

	2012	2013
	€	€
General administration expenses	(25,160)	(41,402)
Other operating expenses	(516)	(611)
Operating result	**(25,676)**	**(42,013)**
Other interest and similar income	35	0
of which from affiliated companies	*[35]*	*[0]*
Interest and similar expenses	(235)	(87)
of which to affiliated companies	*[(235)]*	*[(87)]*
	(200)	**(87)**
Financial result	**(200)**	**(200)**
Income before income taxes	**(25,876)**	**(42,100)**
Income from assumption of losses	25,876	42,100
Net loss	**0**	**0**

Balance Sheet of
Zweite K-W-A Beteiligungsgesellschaft mbH, Leverkusen, as of December 31, 2013

	Dec. 31., 2012	Dec. 31, 2013
	€	€
ASSETS		
Noncurrent assets		
Investments	3,444,123,389	3,444,123,388
	3,444,123,389	**3,444,123,388**
Current assets		
Receivables and other assets		
Receivables from affiliated companies	25,876	42,378
of which to the parent company	*[25,876]*	*[42,378]*
	25,876	**42,378**
	3,444,149,265	**3,444,165,766**
EQUITY AND LIABILITIES		
Equity		
Capital stock	25,000	25,000
Capital reserve	3,444,047,252	3,444,047,252
	3,444,072,252	**3,444,072,252**
Provisions		
Other provisions	2,500	10,000
	2,500	**10,000**
Other liabilities		
Payables to affiliated companies	74,513	81,776
of which to the parent company	*[69,735]*	*[81,776]*
of which due in < 1 year	*[74,513]*	*[81,776]*
Miscellaneous liabilities	0	1,738
	74,513	**83,514**
	3,444,149,265	**3,444,165,766**

Notification pursuant to Section 326 Paragraph 2 Sentence 3 of the German Commercial Code (HGB): on December 31, 2013 and at the end of the previous year, Zweite K-W-A Beteiligungsgesellschaft mbH did not exceed two of the three criteria listed in Section 267a Paragraph 1 HGB.
It therefore utilizes the exemptions for micro-entities and has filed an application to deposit the balance sheet with the editor of the Federal Gazette.

Leverkusen, February 7, 2014

Zweite K-W-A Beteiligungsgesellschaft mbH
Executive Board

Dr. Semrau

Held

Science For A Better Life