



Science For A Better Life

**Notice**  
of the  
**Annual Stockholders'**  
**Meeting**

of Bayer AG on April 29, 2014

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## AGENDA

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# Notice of Meeting

Our stockholders are hereby invited to attend the Annual Stockholders' Meeting to be held at 10.00 a.m. on Tuesday, April 29, 2014 at the Cologne Exhibition Center, North Entrance, Hall 7, Deutz-Mülheimer-Strasse 111, 50679 Cologne.

## Agenda

**1. Presentation of the adopted annual financial statements and the approved consolidated financial statements, the Combined Management Report, the report of the Supervisory Board, the explanatory report by the Board of Management on takeover-related information, and the proposal by the Board of Management on the use of the distributable profit for the fiscal year 2013, and resolution on the use of the distributable profit**

The Board of Management and the Supervisory Board propose that the entire distributable profit of EUR 1,736,590,396.80 reported in the annual financial statements for the fiscal year 2013 be used to pay a dividend of EUR 2.10 per share carrying dividend rights.

The amount of the dividend is determined based on the number of shares carrying dividend rights on the date the annual financial statements were prepared by the Board of Management. If the Company holds own shares on the date of the Annual Stockholders' Meeting and the number of shares carrying dividend rights is therefore lower than the number on the date the annual financial statements were prepared, the Board of Management and Supervisory Board shall present an amended proposal on the use of the distributable profit to the Annual Stockholders' Meeting, to the effect that the proposed dividend shall remain unchanged at EUR 2.10 per share and the remainder of the distributable profit shall be carried forward.

The annual financial statements prepared by the Board of Management on February 17, 2014 were approved by the Supervisory Board on February 26, 2014 in accordance with section 172 sentence 1 of the German Stock Corporation Act (AktG); the annual financial statements are thus adopted. The Supervisory Board also approved the consolidated financial statements. No resolution on the adoption of the annual financial statements or on the approval of the consolidated financial statements in accordance with section 173 of the AktG by the Annual Stockholders' Meeting is therefore required. The other documents mentioned above shall be made available to the Annual Stockholders' Meeting in accordance with section 176(1) sentence 1 of the AktG without the need for adoption of a resolution, with the exception of the resolution on the use of the distributable profit.

## **2. Ratification of the actions of the members of the Board of Management**

The Board of Management and the Supervisory Board propose that the actions of the members of the Board of Management who held office in the fiscal year 2013 be ratified for that year.

## **3. Ratification of the actions of the members of the Supervisory Board**

The Board of Management and the Supervisory Board propose that the actions of the members of the Supervisory Board who held office in the fiscal year 2013 be ratified for that year.

## **4. Supervisory Board elections**

The end of the Annual Stockholders' Meeting 2014 marks the end of the term of office of the following Supervisory Board members: Prof. Dr.-Ing. Ekkehard D. Schulz, Krefeld, and Prof. Dr. Dr. h.c. mult. Ernst-Ludwig Winnacker, Munich. Two stockholder representatives must therefore be elected. According to sections 96(1) and 101(1) of the AktG and section 7(1) sentence 1 number 3 of the German Codetermination Act (MitbestG) of 1976, the Company's Supervisory Board is composed of ten stockholder representatives and ten employee representatives.

Based on the recommendation of the Nomination Committee, the Supervisory Board nominates the following candidates for election to the Supervisory Board:

- A) Dr. rer. nat. Simone Bagel-Trah,  
entrepreneur, Chairwoman of the Supervisory Board  
and the Shareholders' Committee of Henkel AG  
& Co. KGaA,  
Düsseldorf,

for the period up to the end of the Annual Stockholders' Meeting that resolves to ratify her actions for fiscal year 2018

- B) Prof. Dr. Dr. h. c. mult. Ernst-Ludwig Winnacker  
Secretary General of the Human Frontier Science  
Program (Strasbourg),  
Munich,  
for the period up to the end of April 29, 2016.

In electing stockholder representatives, the Annual Stockholders' Meeting is not required to elect the candidates proposed. Each candidate will be elected individually.

Dr. rer. nat. Bagel-Trah is not currently a member of the Company's Supervisory Board. She is a member of the following statutory supervisory boards or of comparable supervisory bodies of corporations in Germany or abroad: Henkel AG & Co. KGaA (Chairwoman of the Supervisory Board and of the Shareholders' Committee) Henkel Management AG (Chairwoman) Heraeus Holding GmbH

Prof. Dr. Dr. h.c. mult. Winnacker was elected as a member of the Supervisory Board by the 2012 Annual Stockholders' Meeting until the 2014 Annual Stockholders' Meeting and is now being proposed for reelection for another two years. The current plan is to propose to the 2016 Annual Stockholder's Meeting that Prof. Dr. Wolfgang Plischke be elected as his successor, so that the Supervisory Board continues to have one member with particular expertise in research. Prof. Dr. Plischke is stepping down from the Company's Board of Management as of the end of April 29, 2014; the statutory cooling-off period before former Board of Management members can join the

Supervisory Board (section 100(2) sentence 1 no. 4 of the AktG) therefore expires in his case two years later, in 2016.

Prof. Dr. Winnacker is a member of the following statutory supervisory boards or of comparable supervisory bodies of other corporations in Germany or abroad:

Bayer Aktiengesellschaft

Wacker Chemie AG

Your attention is drawn to the following in accordance with section 5.4.1, subsections 4 to 6 of the German Corporate Governance Code: Apart from the fact that Prof. Dr. Dr. h.c. mult. Winnacker is currently already a member of the Company's Supervisory Board, the Supervisory Board does not consider there to be any personal or business relationships between Dr. Bagel-Trah and Prof. Dr. Dr. h.c. mult. Winnacker on the one hand and the companies of the Bayer Group, the governing bodies of Bayer Aktiengesellschaft, or any stockholder that directly or indirectly holds more than 10 % of the voting shares of Bayer Aktiengesellschaft on the other that are of material significance to the decision of the Stockholders' Meeting regarding their election.

#### **5. Cancellation of the existing Authorized Capital I, creation of new Authorized Capital I with the option to disapply subscription rights and amendment of Article 4(2) of the Articles of Incorporation**

The Authorized Capital I currently provided for by Article 4(2) of the Articles of Incorporation expires on April 29, 2015, i.e., before the 2015 Annual Stockholders' Meeting is expected to be held. It is therefore proposed to replace it by a new Authorized Capital I in the same amount (EUR 530,000,000.00 – this corresponds to approximately 25 % of the current capital stock). The existing Authorized Capital I will only be canceled if and once the availability of the new Authorized Capital I has been confirmed. Stockholders will generally be granted subscription rights when this new Authorized Capital I is utilized. However, the Board of Management is to be authorized, with the consent of the Supervisory Board, to disapply stockholders' subscription rights for specific purposes. The interest in the capital stock attributable to those shares issued against cash or noncash contributions while disapplying stockholders' subscription rights may not exceed 20 % of

the Company's existing capital stock on the date of the resolution by the Annual Stockholders' Meeting. The new Authorized Capital I may only be used to issue shares against noncash contributions up to a maximum of EUR 423,397,120.00 (this corresponds to just under 20 % of the current capital stock).

The Board of Management is thus only authorized to issue shares from the new Authorized Capital I up to a maximum of 20 % of the current capital stock while disapplying stockholders' subscription rights. Subject to a new authorization to disapply subscription rights resolved by a subsequent Annual Stockholders' Meeting, the Board of Management will also consider issuing or selling shares or bonds with warrants or conversion rights or obligations while disapplying subscription rights on the basis of other authorizations, insofar as these have been granted to the Board of Management (see the resolutions proposed under Agenda Items 6, 7 and 8), provided that the Board of Management only uses the authorizations granted to it to implement capitalization measures to increase the capital stock by a maximum of 20 % of the current capital stock while disapplying stockholders' subscription rights. The Board of Management will be bound by this condition until a future Annual Stockholders' Meeting again resolves to authorize the Board of Management to implement capitalization measures while disapplying stockholders' subscription rights. Please refer to the report by the Board of Management to the Annual Stockholders' Meeting in accordance with section 203(2) sentence 2 in conjunction with section 186(4) sentence 2 of the AktG on Authorized Capital I (Agenda Item 5) and the relevant reports by the Board of Management on Authorized Capital II (Agenda Item 6), the authorization to issue bonds with warrants or convertible bonds (Agenda Item 7), as well as the authorization to purchase and utilize own shares (Agenda Item 8).

Against this background, the Board of Management and the Supervisory Board propose adopting the following resolution:

- (1) The authorization of the Board of Management provided for by Article 4(2) of the Articles of Incorporation to increase the Company's capital stock with the consent of the Supervisory Board by up to EUR 530,000,000.00

in the period up to April 29, 2015 (Authorized Capital 1) is revoked as specified in greater detail under point (5) below, effective the date of the entry in the commercial register as specified under that point.

- (2) The Board of Management is authorized, with the consent of the Supervisory Board, to increase the capital stock by up to a total of EUR 530,000,000.00 by issuing no-par value registered shares on one or more occasions in the period up to April 28, 2019. New no-par value registered shares can be issued against cash and/or noncash contributions; capital increases against noncash contributions may only be made up to a total of EUR 423,397,120.00 (Authorized Capital 1). Stockholders must generally be granted subscription rights. Subscription rights can also be granted to stockholders indirectly in accordance with section 186(5) of the AktG. However, the Board of Management is authorized, with the consent of the Supervisory Board, to disapply stockholders' subscription rights:
- where the subscription ratio gives rise to fractions in the case of capital increases against cash and/or non-cash contributions;
  - to the extent necessary to grant the holders of bonds with warrants or conversion rights or obligations issued by the Company or its group companies a right to subscribe for new shares to the extent to which they would be entitled after exercise of their warrants or conversion rights, or performance of their exercise or conversion obligations;
  - if the shares are issued in connection with the admission of the Company's shares to a foreign stock exchange and the total interest in the capital stock attributable to the new shares for which subscription rights are to be disappplied does not exceed 10 % of the existing capital stock on the date of entry of the authorization in the commercial register or, in the event that this amount is lower, 10 % of the existing capital stock on the date of issue of the new shares;
  - if capital is increased against noncash contributions to issue shares for the purpose of acquiring companies, parts of companies, interests in companies, or other assets.



- to implement a scrip dividend in which stockholders are given the option of contributing their dividend entitlements to the Company (either in whole or in part) as a noncash contribution against the issue of new shares from Authorized Capital I.

The interest in the capital stock attributable to those shares issued against cash or noncash contributions while disapplying stockholders' subscription rights may not exceed a total of 20 % of the Company's existing capital stock on the date of the resolution by the Annual Stockholders' Meeting. The Board of Management shall decide, with the consent of the Supervisory Board, on the details of the rights attached to the shares and all additional conditions governing their issuance, including the issue price.

- (3) Article 4(2) of the Articles of Incorporation shall be revised as follows once the revocation of the existing text is entered in the commercial register:

“(2) The Board of Management is authorized, with the consent of the Supervisory Board, to increase the capital stock by up to a total of EUR 530,000,000.00 by issuing no-par value registered shares on one or more occasions in the period up to April 28, 2019. New no-par value registered shares can be issued against cash and/or noncash contributions; capital increases against noncash contributions may only be made up to a total of EUR 423,397,120.00 (Authorized Capital I). Stockholders must generally be granted subscription rights. Subscription rights can also be granted to stockholders indirectly in accordance with section 186(5) of the AktG. However, the Board of Management is authorized, with the consent of the Supervisory Board, to disapply stockholders' subscription rights:

- where the subscription ratio gives rise to fractions in the case of capital increases against cash and/or noncash contributions;
- to the extent necessary to grant the holders of bonds with warrants or conversion rights or obligations issued by the Company or its group companies a right to subscribe for new shares to the extent to which they would be entitled after exercise of their warrants or conversion rights,

or performance of their exercise or conversion obligations;

- if the shares are issued in connection with the admission of shares to a foreign stock exchange and the total interest in the capital stock attributable to the new shares for which subscription rights are to be disappplied does not exceed 10 % of the existing capital stock on the date of entry of the authorization in the commercial register or, in the event that this amount is lower, 10 % of the existing capital stock on the date of issue of the new shares;
- if capital is increased against noncash contributions to issue shares for the purpose of acquiring companies, parts of companies, interests in companies, or other assets;
- to implement a scrip dividend in which stockholders are given the option of contributing their dividend entitlements to the Company (either in whole or in part) as a noncash contribution against the issue of new shares from Authorized Capital I.

The interest in the capital stock attributable to those shares issued against cash or noncash contributions while disapplying stockholders' subscription rights may not exceed a total of 20 % of the Company's existing capital stock on the date of the resolution by the Annual Stockholders' Meeting. The Board of Management shall decide, with the consent of the Supervisory Board, on the details of the rights attached to the shares and all additional conditions governing their issuance, including the issue price."

- (4) The Supervisory Board is authorized to amend Articles 4(1) and 4(2) of the Articles of Incorporation to reflect any utilization of Authorized Capital I or following expiration of the authorization period.
- (5) The Board of Management is instructed to only submit the cancellation of the existing Authorized Capital I together with the resolution on the creation of the new Authorized Capital I in the amount of EUR 530,000,000.00 and the corresponding amendment to the Articles of Incorporation in accordance

with no. (3) above for entry in the commercial register and subject to the proviso that the cancellation of the existing Authorized Capital I will only be entered in the commercial register once it has been confirmed that the new Authorized Capital I will be entered in the commercial register at the same time or immediately thereafter.

**Agenda Item 5: Report by the Board of Management in accordance with section 203(2) sentence 2 in conjunction with section 186(4) sentence 2 of the AktG**

As a general rule, we aim to grant our stockholders subscription rights when the new Authorized Capital I is utilized. We only have the option to disapply subscription rights in the cases outlined below; the interest in the capital stock attributable to new shares issued while disapplying subscription rights may not exceed 20 % of the current capital stock.

The authorization to disapply subscription rights for fractions in the case of capital increases against cash and/or noncash contributions serves to ensure a practicable subscription ratio with respect to the amount of the capital increase in each case. Not disapplying subscription rights for fractions would make the technical implementation of a capital increase, and the exercising of subscription rights, significantly more difficult, particularly in the case of a capital increase involving round amounts. The new shares counting as fractions for which stockholders' subscription rights have been disappplied will be sold at best for the Company either via the stock exchange or in another way.

The authorization to disapply subscription rights for the benefit of holders of bonds with warrants or conversion rights or obligations issued by the Company or its group companies is designed to ensure that, in the event that this authorization is utilized, the option or conversion price does not have to be reduced in line with the antidilution clauses of the option premium or conversion terms and conditions. Rather, the holders of the bonds with warrants or conversion rights or obligations may also be granted subscription rights to the extent to which they would be entitled after exercise of their warrants or exercise or conversion rights, or performance of their conversion

obligations. The authorization gives the Board of Management the opportunity to choose between these two alternatives when utilizing Authorized Capital I, after careful consideration of the interests.

The Board of Management will only exercise the additional authorization to disapply subscription rights during capital increases against cash contributions where shares are issued in connection with the admission of the Company's shares to a foreign stock exchange.

In some cases, a share placement is the only way to provide investors with greater access to the Company's shares in foreign capital markets. This requires the shares to be admitted to a stock exchange in the country concerned. With the proposed Authorized Capital I authorization, the Board of Management aims to be as well prepared as possible to take advantage at short notice of any opportunity to admit and place shares on a foreign stock exchange that arises in the future. This gives the Company the flexibility that may be necessary for such a foreign stock exchange listing in the interests of all stockholders. However, the move requires that stockholders' subscription rights are disappplied to this extent.

The Board of Management will only exercise this authorization if the admission of the Company's shares to a foreign stock exchange is in the interests of the Company. The shares issued in connection with the admission of the Company's shares to a foreign stock exchange while disapplying subscription rights may not exceed a total of 10 % of the capital stock either on the date of entry of the authorization in the commercial register or on the date the authorization is utilized.

Overall, this ensures that both the pecuniary and the voting right interests of stockholders are safeguarded if Authorized Capital I is utilized while disapplying subscription rights.

The authorization to disapply subscription rights in the case of capital increases against noncash contributions serves to enable the acquisition of companies, parts of companies, interests in companies, or other assets against the issue of shares. The option of being able to offer shares as an "acquisition currency" strengthens the Company's

negotiating position if the acquisition of companies, parts of companies, interests in companies, or other assets by way of a capital increase against noncash contributions leads to tax savings on the part of the buyer, or if the buyer is more interested for other reasons in acquiring shares in the Company than a monetary payment. In individual cases, it may also be necessary to offer the seller new shares as consideration for a stake in a Company if this is of particular interest to the Company. Authorized Capital I allows the Company to react quickly and flexibly to opportunities that arise in order to acquire companies, parts of companies, interests in companies, or other assets against the issue of new shares in individual cases as appropriate. The proposed authorization thus enables the optimum financing of acquisitions in individual cases against the issue of new shares, while strengthening the Company's equity base.

In each case, Management will only exercise the option to increase capital while disapplying subscription rights from Authorized Capital I against noncash contributions if the value of the new shares is commensurate with the value of the consideration, i.e., the value of the Company, part of the Company, interest in the Company, or other asset to be acquired. As a general rule, the issue price of the new shares to be issued will be based on the market price. This prevents stockholders for whom subscription rights are disappplied from being economically disadvantaged.

The Board of Management is also to be authorized, with the consent of the Supervisory Board, to disapply stockholders' statutory subscription rights in order to be able to implement a scrip dividend at optimal conditions. In a scrip dividend, stockholders are given the option of contributing their claim to the dividend payment that arises with the resolution on the appropriation of earnings by the Stockholders' Meeting to the Company as a noncash contribution to subscribe for new shares in the Company.

A scrip dividend can be implemented as a regular rights issue, in particular with respect to the provisions of section 186(1) of the AktG (minimum subscription period of two weeks) and section 186(2) of the AktG (announcement of the issue price no later than three days before the end

of the subscription period). In each case, stockholders can only subscribe for whole shares; they are entitled to receive cash dividends for that portion of the dividend entitlement that is less (or more) than the subscription price for a whole share and cannot subscribe for shares to this extent. There is no plan to offer fractional interests or to establish trading of subscription rights or fractions thereof. This is considered to be justifiable and appropriate to this extent as the stockholders receive a cash dividend instead of subscribing for new shares.

Depending on the capital market situation, it may be preferable in individual cases to offer and prepare a scrip dividend without being bound by the constraints of section 186(1) of the AktG (minimum subscription period of two weeks) and section 186(2) of the AktG (announcement of the issue price no later than three days before the end of the subscription period). Consequently, the Board of Management is also to be authorized to offer all stockholders entitled to dividends the option to subscribe for new shares against the contribution of their dividend entitlements in compliance with the principle of equal treatment (section 53a of the AktG) while formally disapplying stockholders' subscription rights in full with the consent of the Supervisory Board. Implementing a scrip dividend while formally disapplying subscription rights enables the capital increase to be implemented at more flexible conditions. Given the fact that all stockholders are offered the new shares and that surplus fractional dividend amounts are settled by paying a cash dividend, the disapplication of subscription rights to this extent is also considered to be justifiable and appropriate.

A maximum of EUR 423,397,120.00 of Authorized Capital I can be used for capital increases against noncash contributions; this corresponds to just under 20 % of the Company's current capital stock. Limiting the potential volume of a capital increase against noncash contributions to a maximum of 20 % of the Company's current capital stock also means that stockholders' voting rights would only experience moderate dilution if the authorization is utilized. Taking into account all of these circumstances and to the extent described, disapplying subscription rights is suitable, necessary, appropriate, and in the interests of the Company.

The Board of Management is only authorized to issue shares from the new Authorized Capital I up to a maximum of 20 % of the current capital stock while disapplying stockholders' subscription rights. Subject to a new authorization to disapply subscription rights resolved by a subsequent annual stockholders' meeting, the Board of Management will also consider issuing or selling shares or bonds with warrants or conversion rights or obligations while disapplying subscription rights on the basis of other authorizations, insofar as these have been granted to the Board of Management (see the resolutions proposed under Agenda Items 6, 7 and 8), provided that the Board of Management only uses the authorizations granted to it to implement capitalization measures to increase the capital stock by a maximum of 20 % of the current capital stock while disapplying stockholders' subscription rights. Subject to a new authorization by a subsequent Annual Stockholders' Meeting to disapply subscription rights, the Board of Management will therefore also include the interest in the capital stock attributable to the following instruments in the maximum of 20 % of the current capital stock: shares issued or sold while disapplying stockholders' subscription rights during the term of the authorization for Authorized Capital I (section 71(1) no. 8 sentence 5 of the AktG); bonds with warrants or conversion rights or obligations that are issued while disapplying stockholders' subscription rights during the term of this authorization, including the issue or sale of shares or bonds while disapplying stockholders' subscription rights as a result of the direct or indirect application of section 186(3) sentence 4 of the AktG. However, the inclusion of these instruments will no longer apply and the original authorized volume will again be available once a subsequent Annual Stockholders' Meeting again authorizes the Board of Management to issue or sell shares or bonds with warrants or conversion rights or obligations while disapplying stockholders' subscription rights.

Furthermore, the Board of Management will in each case carefully examine whether the utilization of Authorized Capital I and, if applicable, the disapplication of stockholders' subscription rights, are in the interests of the Company and its stockholders. The Board of Management will report on each utilization of Authorized Capital I to the Annual Stockholders' Meeting.

**6. Cancellation of the existing Authorized Capital II, creation of new Authorized Capital II with the option to disapply subscription rights and amendment of Article 4(3) of the Articles of Incorporation**

The Authorized Capital II currently provided for by Article 4(3) of the Articles of Incorporation also expires on April 29, 2015, i.e., before the 2015 Annual Stockholders' Meeting is expected to be held. This is to be superseded by a new Authorized Capital II in the same amount. It is proposed to cancel the existing Authorized Capital II and replace it by a new Authorized Capital II in the amount of EUR 211,698,560.00 with an authorization to exercise the simplified disapplication of subscription rights in accordance with section 186(3) sentence 4 of the AktG. The existing Authorized Capital II will only be canceled if and once the availability of the new Authorized Capital II has been confirmed. The Board of Management is also to be authorized to disapply stockholders' subscription rights for fractions.

The option to issue new shares from Authorized Capital II while disapplying stockholders' subscription rights in accordance with section 186(3) sentence 4 of the AktG is limited by law to 10 % of the existing capital stock. In accordance with section 71(1) no. 8 sentence 5 of the AktG in conjunction with section 186(3) sentence 4 of the AktG, the interest in the capital stock attributable to own shares sold while disapplying stockholders' subscription rights on or after April 29, 2014, is counted towards this 10 % limit. The 10 % limit also includes those shares that have been or will be issued to settle bonds with warrants or conversion rights or obligations that were issued while disapplying subscription rights on or after April 29, 2014, by application of section 186(3) sentence 4 of the AktG, with the necessary modifications.

Furthermore, subject to a new authorization by a subsequent Annual Stockholders' Meeting to disapply subscription rights, the Board of Management will not exercise the authorization to issue new shares from Authorized Capital II while disapplying subscription rights in the amount of the proportionate interest in the capital stock attributable to shares issued or sold while disapplying



stockholders' subscription rights on the basis of other authorizations granted to the Board of Management, insofar as the proportionate interest in the capital stock attributable to these shares exceeds 10 % of the Company's current capital stock. The Board of Management will be bound by this condition until a future Annual Stockholders' Meeting again resolves to authorize the Board of Management to implement capitalization measures while disapplying stockholders' subscription rights. In this regard, please refer to the report by the Board of Management to the Annual Stockholders' Meeting in accordance with section 203(2) sentence 2 in conjunction with section 186(4) sentence 2 of the AktG on Authorized Capital II (Agenda Item 6) as well as to the relevant reports by the Board of Management on Authorized Capital I (Agenda Item 5), on the authorization to issue bonds with warrants or convertible bonds (Agenda Item 7), and on the authorization to purchase and utilize own shares (Agenda Item 8).

Against this background, the Board of Management and the Supervisory Board therefore propose the following resolution:

- (1) The authorization of the Board of Management provided for by Article 4(3) of the Articles of Incorporation to increase the Company's capital stock against cash contributions with the consent of the Supervisory Board by up to EUR 211,698,560.00 in the period up to April 29, 2015, is revoked as specified in greater detail under point (5) below, effective the date of the entry in the commercial register as specified under that point.
- (2) The Board of Management is authorized, with the consent of the Supervisory Board, to increase the capital stock against cash contributions by up to a total of EUR 211,698,560.00 by issuing no-par value registered shares on one or more occasions in the period up to April 28, 2019 (Authorized Capital II). Stockholders must be granted subscription rights. Subscription rights can also be granted to stockholders indirectly in accordance with section 186(5) of the AktG. However, the Board of Management is authorized, with the consent of the Supervisory Board, to disapply stockholders' subscription rights:

- where the subscription ratio gives rise to fractions;
- if capital is increased against cash contributions and the total interest in the capital stock attributable to the new shares for which subscription rights are to be disappplied does not exceed 10 % of the existing capital stock on the date of entry of the authorization in the commercial register or, in the event that this amount is lower, 10 % of the existing capital stock on the date of issue of the new shares, and the issue price of the new shares issued against cash consideration is not materially lower than the market price of the Company's existing listed shares of the same class at the time when the issue price is finalized by the Board of Management within the meaning of section 203(1) and (2) in conjunction with section 186(3) sentence 4 of the AktG. In accordance with section 71(1) no. 8 sentence 5 in conjunction with section 186(3) sentence 4 of the AktG, all own shares sold while disapplying stockholders' subscription rights on or after April 29, 2014, are counted towards the above-mentioned 10 % limit. This limit also includes those shares that have been or will be issued to settle bonds with warrants or conversion rights or obligations, provided that the bonds are issued while disapplying subscription rights on or after April 29, 2014, by application of section 186(3) sentence 4 of the AktG, with the necessary modifications.

The Board of Management shall decide, with the consent of the Supervisory Board, on the details of the rights attached to the shares and all additional conditions governing their issuance, including the issue price.

- (3) Article 4(3) of the Articles of Incorporation shall be revised as follows once the revocation of the existing text is entered in the commercial register:

“(3) The Board of Management is authorized, with the consent of the Supervisory Board, to increase the capital stock against cash contributions by up to a total of EUR 211,698,560.00 by issuing no-par value registered shares on one or more occasions in the period up to April 28, 2019 (Authorized Capital II). Stockholders

must be granted subscription rights. Subscription rights can also be granted to stockholders indirectly in accordance with section 186(5) of the AktG. However, the Board of Management is authorized, with the consent of the Supervisory Board, to disapply stockholders' subscription rights:

- where the subscription ratio gives rise to fractions;
- if capital is increased against cash contributions and the total interest in the capital stock attributable to the new shares for which subscription rights are to be dis-applied does not exceed 10 % of the existing capital stock on the date of entry in the commercial register of the authorization or, in the event that this amount is lower, 10 % of the existing capital stock on the date of issue of the new shares, and the issue price of the new shares issued against cash consideration is not materially lower than the market price of the Company's existing listed shares of the same class at the time when the issue price is finalized by the Board of Management within the meaning of section 203(1) and (2) in conjunction with section 186(3) sentence 4 of the AktG. In accordance with section 71(1) no. 8 sentence 5 in conjunction with section 186(3) sentence 4 of the AktG, all own shares sold while disapplying stockholders' subscription rights on or after April 29, 2014, are counted towards the above-mentioned 10 % limit. This limit also includes those shares that have been or will be issued to settle bonds with warrants or conversion rights or obligations, provided that the bonds are issued while disapplying subscription rights on or after April 29, 2014, by application of section 186(3) sentence 4 of the AktG, with the necessary modifications.

The Board of Management shall decide, with the consent of the Supervisory Board, on the details of the rights attached to the shares and all additional conditions governing their issuance, including the issue price."

- (4) The Supervisory Board is authorized to amend Articles 4(1) and 4(3) of the Articles of Incorporation to reflect any utilization of Authorized Capital II or following expiration of the authorization period.
- (5) The Board of Management is instructed to only submit the cancellation of the existing Authorized

Capital II together with the resolution on the creation of the new Authorized Capital II in the amount of EUR 211,698,560.00 and the corresponding amendment to the Articles of Incorporation in accordance with no. (3) above for entry in the commercial register and subject to the proviso that the cancellation of the existing Authorized Capital II will only be entered in the commercial register once it has been confirmed that the new Authorized Capital II will be entered in the commercial register at the same time or immediately thereafter.

**Agenda Item 6: Report by the Board of Management in accordance with section 203(2) sentence 2 in conjunction with section 186(4) sentence 2 of the AktG**

As a general rule, we aim to grant our stockholders subscription rights when Authorized Capital II is utilized. Nevertheless, we want to have the option to disapply these rights for fractions and in accordance with section 203(1) sentence 1 and section 203(2) in conjunction with section 186(3) sentence 4 of the AktG:

The authorization to disapply subscription rights for fractions serves to ensure a practicable subscription ratio with respect to the amount of the capital increase in each case. Not disapplying subscription rights for fractions would make the technical implementation of a capital increase, and the exercising of subscription rights, significantly more difficult, particularly in the case of a capital increase involving round amounts. The new shares counting as fractions for which stockholders' subscription rights have been disappplied will be sold at best for the Company either via the stock exchange or in another way.

The ability to exercise the simplified disapplication of subscription rights in accordance with section 186(3) sentence 4 of the AktG serves the interests of the Company in achieving the best possible issue price when issuing new shares. The ability to disapply subscription rights provided in section 186(3) sentence 4 of the AktG enables the Board of Management, with the consent of the Supervisory Board, to take advantage of the opportunities offered by the stock exchange situation quickly, flexibly, and cost-effectively as they arise. This is the best way to boost our capital in the interests of the Company and all stockholders. Avoiding the lengthy and costly process of

settling subscription rights allows capital requirements to be met extremely quickly by taking advantage of short-term market opportunities. It also allows the Company to attract new groups of stockholders both within Germany and abroad. The ability to increase capital at optimum conditions and without any significant reduction in subscription rights is particularly important for the Company because it has to be able to exploit opportunities in its rapidly changing markets as well as in new markets quickly and flexibly, and must meet any resulting capital requirements in the very short term if necessary.

The shares issued while disapplying subscription rights in accordance with section 186(3) sentence 4 of the AktG may not exceed a total of 10 % of the capital stock either on the date of entry in the commercial register or on the date the authorization is utilized. This limit includes own shares sold while disapplying stockholders' subscription rights in accordance with section 186(3) sentence 4 of the AktG on or after April 29, 2014. It also includes those shares that have been or will be issued to settle bonds with warrants or conversion rights or obligations, provided that the bonds were issued while disapplying subscription rights in accordance with section 221(4) of the AktG on or after April 29, 2014, by application of section 186(3) sentence 4 of the AktG, with the necessary modifications.

Furthermore, subject to a new authorization by a subsequent Annual Stockholders' Meeting to disapply subscription rights, the Board of Management will not exercise the authorization to issue new shares from Authorized Capital II while disapplying subscription rights in the amount of the proportionate interest in the capital stock attributable to shares issued or sold while disapplying stockholders' subscription rights on the basis of other authorizations granted to the Board of Management, insofar as the proportionate interest in the capital stock attributable to these shares exceeds 10 % of the Company's current capital stock. The inclusion of these instruments will no longer apply and the original authorized volume will again be available once a subsequent Annual Stockholders' Meeting again authorizes the Board of Management to issue or sell shares or bonds with warrants or conversion rights or obligations on shares in the Company while disapplying stockholders' subscription rights.

This is designed to accommodate stockholders' need for protection against the dilution of their holdings.

The issue price of the new shares and thus the consideration received by the Company will be based on the market price of the existing listed shares of the same class and will not be materially lower (most likely not by more than 3 %, and in any case not by more than 5 %) than the current market price at the time when the issue price is finalized.

Given that all of the shares issued by the Company to date have been admitted to trading on the regulated market of German stock exchanges and are in free float, stockholders interested in maintaining their proportionate interest when Authorized Capital II is utilized while disapplying subscription rights in accordance with section 186(3) sentence 4 of the AktG can as things stand today acquire additional shares in the Company via the stock exchange. Overall, this ensures that, in keeping with the provisions of section 186(3) sentence 4 of the AktG, both the pecuniary and the voting right interests of stockholders are safeguarded if Authorized Capital II is utilized while disapplying subscription rights.

Taking into account all of these circumstances, the authorization to disapply subscription rights is, within the limits described, suitable, necessary, appropriate, and in the interests of the Company.

**7. Authorization to issue bonds with warrants or convertible bonds, profit participation certificates or income bonds (or a combination of these instruments) and to disapply subscription rights, creation of new conditional capital while canceling the existing conditional capital and amendment of Article 4(4) of the Articles of Incorporation**

The Annual Stockholders' Meeting on April 30, 2010, resolved to authorize the issue of bonds with warrants or convertible bonds, profit participation certificates, or income bonds and created the corresponding conditional capital. The authorization, which is valid until April 29, 2015, and is likely to expire before the planned 2015 Annual Stockholders' Meeting, is to remain substantially unchanged and is to be the subject of a new resolution valid until April 28, 2019. In addition, to service the bonds with warrants or convertible bonds, profit participation certifi-

cates or income bonds, new conditional capital (Conditional Capital 2014) will be created under Article 4(4) of the Articles of Incorporation while the existing conditional capital will be canceled.

It will also be possible within certain limits to issue bonds with warrants or convertible bonds, profit participation certificates, or income bonds while disapplying subscription rights. The planned authorization to disapply subscription rights under section 221(4) in conjunction with section 186(3) sentence 4 of the AktG may by law only relate to a proportionate interest in the capital stock that does not exceed 10 % of the total. This 10 % limit includes both new shares which are issued on or after April 29, 2014, while disapplying subscription rights in accordance with sections 203(1) and 203(2) in conjunction with section 186(3) sentence 4 of the AktG, as well as such own shares which are sold on or after April 29, 2014, while disapplying stockholders' subscription rights in accordance with section 71(1) number 8 sentence 5 in conjunction with section 186(3) sentence 4 of the AktG.

Furthermore, subject to a new authorization by a subsequent Annual Stockholders' Meeting to disapply subscription rights, the Board of Management will not exercise the authorization to issue bonds with warrants or convertible bonds, profit participation certificates, or income bonds while disapplying stockholders' subscription rights in the amount of the proportionate interest in the capital stock attributable to shares issued or sold while disapplying stockholders' subscription rights on the basis of other authorizations granted to the Board of Management, insofar as the proportionate interest in the capital stock attributable to these shares exceeds 10 % of the Company's current capital stock. The Board of Management will be bound by this condition until a future Annual Stockholders' Meeting again resolves to authorize the Board of Management to implement capitalization measures while disapplying stockholders' subscription rights. In this regard, please refer to the report by the Board of Management to the Annual Stockholders' Meeting in accordance with section 221(4) sentence 2 in conjunction with section 186(4) sentence 2 of the AktG on the authorization to issue bonds with warrants or convertible bonds (Agenda Item 7), as well as to the relevant reports by the

Board of Management on Authorized Capital I (Agenda Item 5), on Authorized Capital II (Agenda Item 6), and on the authorization to purchase and utilize own shares (Agenda Item 8).

The Board of Management and Supervisory Board therefore propose the following resolution for adoption:

- a) Authorization to issue bonds with warrants or convertible bonds, profit participation certificates, or income bonds (or a combination of these instruments) and to disapply subscription rights
- aa) Authorization period, principal amount, number of shares, currency, issue by group companies, maturity, interest rate

The Board of Management is authorized, with the consent of the Supervisory Board, to issue bonds with warrants or convertible bonds, profit participation certificates, or income bonds or a combination of these instruments (collectively referred to as "debt instruments") in the aggregate principal amount of up to EUR 6 billion on one or more occasions in the period up to April 28, 2019, and to grant the holders or creditors (collectively referred to as "holders") of the respective individual equally-ranking debt instruments options on or conversion rights to registered shares of the Company with a total proportionate interest in the capital stock of up to EUR 211,698,560.00 as specified in greater detail in the terms and conditions of the debt instruments.

In addition to being issued in euros, the debt instruments may also be issued in the legal currency of an OECD country, subject to the euro-equivalent limit. They may also be issued by a group company of Bayer AG within the meaning of section 18 of the AktG in which Bayer AG has a direct or indirect interest of at least 90 % of the votes and capital. In this case, the Board of Management is authorized, with the consent of the Supervisory Board, to guarantee the debt instruments for Bayer AG and to grant the holders of the debt instruments options on or conversion rights to registered shares of Bayer AG.



The debt instruments as well as the options or conversion rights may be issued with or without a maturity date. The debt instruments may have fixed or variable interest rates. Furthermore, as with income bonds, the coupon may also be completely or partly dependent on the size of the Company's dividend.

bb) Granting subscription rights, disapplying subscription rights

The statutory subscription rights to the debt instruments are granted to stockholders by the debt instruments being underwritten by a credit institution or the members of a consortium of credit institutions, or entities which are equivalent to these in accordance with section 186(5) sentence 1 of the AktG with the obligation to offer them to stockholders for subscription. If the debt instruments are issued by a group company of Bayer AG within the meaning of section 18 of the AktG, in which Bayer AG has a direct or indirect interest of at least 90 % of the votes and capital, the company must ensure that statutory subscription rights are granted to the stockholders of Bayer AG under the terms of the previous sentence.

The Board of Management is however authorized, with the consent of the Supervisory Board, to disapply fractions resulting from the subscription ratio from stockholders' subscription rights and to also disapply subscription rights to the extent necessary to allow holders of previously issued bonds with warrants or conversion rights or obligations to be granted subscription rights to the extent to which they would be entitled as stockholders after exercising the options or conversion rights or fulfilling the exercise or conversion obligations.

Furthermore, the Board of Management is authorized, with the consent of the Supervisory Board, to fully disapply stockholders' subscription rights to debt instruments with options or conversion rights or obligations issued against cash contributions if the Board of Management, after due examination, reaches the opinion that the issue price of

the debt instruments is not significantly below their hypothetical fair value determined in accordance with accepted methods, and in particular, valuation techniques. This authorization to disapply subscription rights applies to bonds with warrants or conversion rights or exercise or conversion obligations for shares with a proportionate interest in the capital stock not exceeding 10 % of the total capital stock either at the date when the resolution is adopted or, in the event that this amount is lower, at the date on which this authorization is exercised. The calculation of the above 10 % limit includes

- both new shares which are issued on or after April 29, 2014, while disapplying stockholders' subscription rights in accordance with sections 203(1) and 203(2) in conjunction with section 186(3) sentence 4 of the AktG,
- as well as such own shares as are sold on or after April 29, 2014, while disapplying stockholders' subscription rights in accordance with section 71(1) number 8 sentence 5 in conjunction with section 186(3) sentence 4 of the AktG.

If profit participation certificates or income bonds without options or conversion rights or obligations are issued, the Board of Management is authorized to fully disapply stockholders' subscription rights with the consent of the Supervisory Board, if these profit participation certificates or income bonds have the characteristics of debt instruments, i.e., if they do not found any membership rights in the Company, do not grant any participation in the liquidation proceeds and the size of their coupons are not calculated on the basis of the net income for the year, the distributable profit, or the dividend. In addition, in this case the coupon and the issue price of the profit participation certificates or income bonds must correspond to current market terms at the date of the issue.

cc) Options and conversion rights

When bonds with warrants are issued, one or more warrants are added to each individual bond which entitle the holder to acquire registered no-par

value Bayer AG shares as specified in greater detail in the option terms and conditions. For euro-denominated bonds with warrants issued by Bayer AG, the option terms and conditions may provide that the option premium may also be settled by the transfer of individual bonds and, if appropriate, an additional cash payment. If fractions of shares arise, provision may be made for these fractions to be added up to purchase whole shares, if necessary in return for an additional payment.

When convertible bonds are issued, the holders receive the right to convert their individual bonds into registered no-par value Bayer AG shares as specified in greater detail in the terms and conditions of the convertible bond. The conversion ratio is calculated by dividing the principal amount or, if lower than the principal amount, the issue price of an individual bond by the fixed conversion price for one Company share and may be rounded up or down to a whole number; moreover, an additional cash payment and the pooling of, or compensation for non-convertible fractions may be determined.

Section 9(1) in conjunction with section 199(2) of the AktG must be complied with on each occasion.

- dd) Option premium, conversion price, adjustment of option premium or conversion price to preserve value

If debt instruments are issued which grant options or conversion rights, the option premium or conversion price to be set for one share – with the exception of cases in which a conversion obligation is provided for (ff below) – must amount to at least 80 % of the unweighted average closing price of Bayer AG shares in XETRA trading on the Frankfurt Stock Exchange or a corresponding successor system during the last 10 trading days before the date when the Board of Management adopted the resolution to issue the debt instruments, or – in the case where a subscription right is being granted – at least 80 % of the unweighted average closing price of Bayer AG shares in XETRA trading on the Frankfurt Stock Exchange or in a corresponding

successor system in the period from the beginning of the subscription period up to and including the day before the announcement of the final determination of the bond terms and conditions in accordance with section 186(2) of the AktG. Section 9(1) of the AktG remains unaffected.

For debt instruments carrying options or conversion rights or obligations, the option premium or conversion price may, without prejudice to section 9(1) of the AktG, be adjusted in the case of the dilution of the financial value of the options or conversion rights or obligations to preserve their value as specified in greater detail in the terms and conditions of the bond, provided the adjustment is not already regulated by law, or subscription rights are granted as compensation, or a corresponding amount is paid in cash.

ee) Granting of new or existing shares, cash payment

The terms and conditions of the debt instruments may provide the Company with the right not to grant new shares, but to pay out the equivalent amount in cash in cases in which options are exercised or bonds converted. The terms and conditions of the debt instruments may also provide that debt instruments may, at the Company's discretion, be converted into new shares from authorized capital, into existing Company shares, or into shares of another listed company, rather than into new shares from conditional capital, or that an option or exercise obligation can be settled by the delivery of such shares.

ff) Exercise or conversion obligation

The terms and conditions of the debt instruments may also provide for an exercise or conversion obligation at maturity or at a different point in time (hereinafter also referred to in each case as the "final maturity"), or for the Company's right when the debt instruments mature to grant the holders in whole or in part shares in the Company or in another listed company in lieu of the cash payment due. In these cases, the option premium or conver-

sion price for a share may equate to the unweighted average closing price of Bayer AG shares in XETRA trading on the Frankfurt Stock Exchange or a corresponding successor system during the 10 trading days before or after the maturity date, even if this is below the minimum price mentioned under dd). Section 9(1) in conjunction with section 199(2) of the AktG must be complied with.

gg) Authorization to determine further details

The Board of Management is authorized, with the consent of the Supervisory Board, to determine the further details of the issue and the features of the debt instruments, in particular the coupon, the type of interest, the issue price, the maturity and denomination, as well as the option or conversion period and any potential changes in the exchange ratio, and, in agreement with the governing bodies, to determine the Bayer AG group company which is issuing the bonds with warrants or convertible bonds.

b) Creation of new conditional capital

The capital stock will be conditionally increased by up to EUR 211,698,560.00 by way of the issue of up to 82,694,750 new registered no-par value shares with a proportionate interest in the capital stock of EUR 2.56 each. The conditional capital increase serves to grant registered no-par value shares to the holders of bonds with warrants or convertible bonds, profit participation certificates, or income bonds (or combinations of these instruments) (collectively referred to as "debt instruments"), each with options or conversion rights or obligations, which will be issued up to April 28, 2019, on the basis of the authorization resolved by the Annual Stockholders' Meeting on April 29, 2014, by Bayer AG or a group company of Bayer AG within the meaning of section 18 of the AktG in which Bayer AG has a direct or indirect interest in at least 90 % of the votes and capital. The new shares will be issued at the option premium or conversion price to be determined in accordance with the authorizing resolution referred to above.

The conditional capital increase may only be executed to the extent that options or conversion rights are exercised, or the holders of the debt instruments who

are obliged to exercise options or convert their bonds fulfill their obligation to exercise the options or perform the conversions, and to the extent that no other forms of settlement are employed. The new shares issued as a result of the exercise of the options or conversion rights or the fulfillment of the exercise or conversion obligations shall share in the profits from the beginning of the fiscal year in which they come into existence; in derogation of this, the Board of Management may, with the consent of the Supervisory Board, determine that the new shares shall share in the profits from the beginning of the fiscal year for which, at the point in time when the options or conversion rights are exercised or the exercise or conversion obligations are fulfilled, the Annual Stockholders' Meeting has not yet adopted a resolution on the use of the distributable profit.

The Board of Management is authorized, with the consent of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase.

- c) Amendment to the Articles of Incorporation, cancellation of existing conditional capital

The authorization resolved by the Annual Stockholders' Meeting on April 30, 2010, to issue bonds with warrants or convertible bonds, profit participation certificates, or income bonds, and the conditional capital (Conditional Capital 2010) currently contained in Article 4(4) of the Articles of Incorporation (Capital Stock) shall be canceled when the new conditional capital takes effect; Article 4(4) of the Articles of Incorporation shall be amended as follows:

"The capital stock will be conditionally increased by an additional amount of up to EUR 211,698,560.00, composed of up to 82,694,750 no-par value shares (Conditional Capital 2014). The conditional capital increase will only be implemented to the extent that the holders of options or conversion rights, or those persons obliged to exercise options or perform conversions under bonds with warrants or convertible bonds, profit participation certificates, or income bonds (or combinations of these instruments), which will be issued or guaranteed on the basis of the authorization

resolved by the Annual Stockholders' Meeting on April 29, 2014, by Bayer AG or a group company of Bayer AG within the meaning of section 18 of the AktG in which Bayer AG has a direct or indirect interest in a minimum of 90 % of the votes and capital, exercise their options or conversion rights, or, to the extent that they are obliged to exercise the option or conversion, fulfill their obligation to exercise the option or perform the conversion and to the extent that no other forms of settlement are employed. The new shares will be issued at the option premium or conversion price to be determined in accordance with the authorizing resolution referred to above.

The new shares will participate in profits from the beginning of the fiscal year in which they come into existence as a result of the exercise of options or conversion rights or the fulfillment of exercise or conversion obligations; contrary to this, the Board of Management, with the consent of the Supervisory Board, may determine that the new shares participate in profits from the beginning of the fiscal year for which, at the point in time when the options or conversion rights are exercised or the exercise or conversion obligations are fulfilled, the Annual Stockholders' Meeting has not yet adopted a resolution on the appropriation of the distributable profit.

The Board of Management is authorized, with the consent of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase."

d) Authorization to amend the Articles of Incorporation

The Supervisory Board is authorized to amend the wording of Articles 4(1) and 4(4) of the Articles of Incorporation to reflect any issue of new shares as well as to make all other amendments to the Articles of Incorporation in connection with this which affect the wording only. This shall apply analogously after the expiry of the authorization period if the authorization to issue bonds with warrants or convertible bonds, profit participation certificates, or income bonds (or a combination of these instruments) has not been utilized, and after the expiry of the deadline for exercising

options or conversion rights or for the fulfillment of exercise or conversion obligations if the conditional capital has not been utilized.

**Agenda Item 7: Report by the Board of Management to the Annual Stockholders' Meeting in accordance with section 221(4) sentence 2 in conjunction with section 186(4) sentence 2 of the AktG**

The proposed authorization to issue bonds with warrants or convertible bonds, profit participation certificates, or income bonds, or combinations of these instruments (collectively referred to as "debt instruments"), with a principal amount of up to EUR 6 billion, as well as to create the associated conditional capital of up to EUR 211,698,560.00 is intended to expand Bayer AG's options to finance its activities, as described in more detail below, and to open up the way for the Board of Management, with the consent of the Supervisory Board, to avail itself of flexible, timely financing in the interests of the Company particularly if capital market conditions become favorable. The planned authorization is to replace the authorization resolved by the Annual Stockholders' Meeting on April 30, 2010.

Stockholders are generally entitled to statutory subscription rights to debt instruments carrying options or conversion rights or obligations (section 221(4) in conjunction with section 186(1) of the AktG). To facilitate settlement, use will be made of the option to issue the debt instruments to a credit institution or to the members of a consortium of credit institutions or entities that are equivalent to these under section 186(5) sentence 1 of the AktG, with the obligation to offer the bonds to stockholders according to their subscription rights (indirect subscription rights within the meaning of section 186(5) of the AktG).

As part of this general authorization, the Board of Management will also be authorized to disapply stockholders' statutory subscription rights to the debt instruments, although only within certain limits – firstly to a limited and secondly to a greater extent but only subject to certain narrow preconditions. The authorization to disapply subscription rights for fractions serves to ensure a practicable subscription ratio with regard to the amount of the issue concerned. Not disapplying subscription rights for fractions would make the technical implementation of a capital



increase, and the exercising of subscription rights, significantly more difficult, particularly in the case of issues of debt instruments involving round amounts. The debt instruments counting as fractions for which stockholders' subscription rights have been disappplied will be sold at best for the Company either via the stock exchange or in another way. Subscription rights in favor of the holders of bonds carrying options or conversion rights or obligations that have already been issued are disappplied in keeping with the principle of protection against dilution to which the holders are as a rule entitled under the bond terms and conditions. This has the advantage that the option premium or conversion price for options or conversion rights or obligations already issued does not need to be reduced, increasing the overall inflow of funds to the Company. Both cases in which subscription rights are disappplied are therefore in the interests of the Company and its stockholders.

The Board of Management is further authorized, with the consent of the Supervisory Board, to fully disapply stockholders' subscription rights if the bonds with warrants or conversion rights or obligations are issued against cash consideration at an issue price which is not materially lower than the market value of these debt instruments. This provides the Company with the opportunity to exploit favorable market situations quickly and at very short notice, and to achieve better terms and conditions for the features of the debt instruments by aligning them with the market. Such a market-driven determination of the terms and conditions and smooth placement would not be possible if subscription rights were granted. Section 186(2) of the AktG permits publication of the subscription price (and thus of the terms and conditions for the debt instruments) no later than three days before the expiry of the subscription period. However, in view of the frequently observed volatility in the stock markets, this still presents a market risk over a number of days, which leads to safety margins being deducted when determining the terms and conditions of the debt instrument and thus to terms that are not market-driven. Also, if subscription rights are upheld, the uncertainty of whether or not they will be exercised (subscription behavior) represents a danger to successful placement with third parties or makes this more costly. Finally, if subscription rights are granted, the Company

cannot react at short notice to favorable or unfavorable market conditions because of the length of the subscription period.

For the case where subscription rights are disappplied in full, section 186(3) sentence 4 of the AktG applies with the necessary modifications in accordance with section 221(4) sentence 2 of the AktG. The limit for the disapplication of subscription rights of 10 % of the capital stock set out in this provision must be complied with according to the text of the resolution. The maximum amount of conditional capital which is to be made available to secure options or conversion rights or obligations is less than 10 % of the current capital stock. A corresponding requirement in the authorizing resolution also ensures that the 10 % limit is not exceeded even in the event of a capital reduction, as the authorization to disapply subscription rights is expressly not permitted to exceed 10 % of the capital stock either at the date when the resolution is adopted or, if this amount is lower, at the date when the present authorization is exercised. The above 10 % limit includes both new shares which are issued on or after April 29, 2014, while disapplying stockholders' subscription rights in accordance with sections 203(1) and 203(2) in conjunction with section 186(3) sentence 4 of the AktG, as well as such own shares which are sold on or after April 29, 2014, in accordance with section 71(1) number 8 sentence 5 in conjunction with section 186(3) sentence 4 of the AktG while disapplying stockholders' subscription rights.

Furthermore, subject to a new authorization by a subsequent Annual Stockholders' Meeting to disapply subscription rights, the Board of Management will not exercise the authorization to issue bonds with warrants or conversion rights or obligations while disapplying stockholders' subscription rights on the basis of the authorizing resolution in the amount of the proportionate interest in the capital stock to which the bonds relate that is attributable to shares issued or sold while disapplying stockholders' subscription rights on the basis of other authorizations granted to the Board of Management, insofar as the proportionate interest in the capital stock attributable to these shares exceeds 10 % of the Company's current capital stock. This inclusion will no longer apply and the original

authorized volume will be available again once a subsequent Annual Stockholders' Meeting again authorizes the Board of Management to issue or sell shares while disapplying stockholders' subscription rights, or to issue bonds with warrants or conversion rights or obligations for shares of the Company.

Section 221(4) in conjunction with section 186(3) sentence 4 of the AktG further provides that the issue price may not be materially lower than the market price. This is to ensure that there is no significant dilution in the financial value of the shares. Whether or not such a dilutive effect occurs in the case of issues of bonds with warrants or conversion rights or obligations disapplying subscription rights can be established by calculating the hypothetical market price (fair value) of the bonds in accordance with accepted methods, and in particular, valuation and comparing this with the issue price. If, after due examination, this issue price is only insignificantly below the hypothetical market price (fair value) at the date when the bonds are issued, then the disapplication of subscription rights is permitted in accordance with the meaning and purpose of the requirement of section 186(3) sentence 4 of the AktG because the discount is merely insignificant. The resolution therefore provides that the Board of Management must, before issuing bonds with warrants or conversion rights or obligations, reach the opinion after due examination that the planned issue price will not lead to any significant dilution in the value of the shares. This means that the notional fair value of a subscription right would decline to almost zero, so that stockholders would not suffer any significant financial disadvantage from the disapplication of the subscription rights.

In addition, stockholders have the option to maintain their interest in the capital stock of the Company even after options or conversion rights have been exercised or exercise or conversion obligations have occurred, by buying additional shares via the stock exchange at any time. On the other hand, the authorization to disapply subscription rights enables the Company to determine market-driven terms, provides it with the greatest possible security concerning the placeability of the shares with third parties, and allows it to exploit favorable market conditions at short notice.

If profit participation certificates or income bonds are to be issued without options or conversion rights or obligations, the Board of Management is authorized, with the consent of the Supervisory Board, to disapply stockholders' subscription rights in full if these profit participation certificates or income bonds have the characteristics of debt instruments, i.e., if they do not found any membership rights in the Company, do not grant any participation in the liquidation proceeds and if the size of their coupons is not calculated on the basis of the net income for the year, the distributable profit or the dividend. In addition, it is necessary that the coupon and the issue price of the profit participation certificates or income bonds correspond to market terms current at the date of the issue. If these preconditions are met, there are no disadvantages for stockholders from the disapplication of subscription rights as profit participation certificates or income bonds do not found any membership rights and also do not grant a share in the liquidation proceeds or in the profit of the Company.

**8. Authorization to acquire and use own shares with the potential disapplication of subscription and other tender rights; use of derivatives in the course of the acquisition**

The authorization to acquire own shares resolved at the Annual Stockholders' Meeting 2010 expires on April 29, 2015, and is therefore likely to expire before the planned 2015 Annual Stockholders' Meeting. This authorization is therefore to be rescinded and the Board of Management is again to be authorized to acquire own shares for a further five years. In addition, authorization is to be granted to acquire own shares using derivatives. Separate votes will be held on the general authorization to acquire own shares and on the supplementary authorization to use derivatives.

- A) The Board of Management and Supervisory Board propose the following resolution for adoption:
- a) The Board of Management is authorized until April 28, 2019, to acquire own shares with a proportionate interest in the capital stock totaling up to 10 % of the Company's capital stock existing at the date of the resolution, subject to the proviso that the

shares acquired as a result of this authorization, together with other shares of the Company that the Company has already acquired and still holds, or which are attributable to it under sections 71d and 71e of the AktG, at no time exceed 10 % of the capital stock of the Company. The provisions in section 71(2) sentences 2 and 3 of the AktG must be complied with.

The acquisition may only take place via the stock exchange or by means of a public purchase offer and must satisfy the principle of equal treatment of stockholders (section 53a of the AktG). If the acquisition takes place via the stock exchange, the purchase price paid by the Company (excluding transaction costs) may neither exceed, nor be lower than, the Company's share price, as determined by the opening auction in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the trading day, by more than 10 %. If the acquisition takes place by means of a public purchase offer, the offer price paid by the Company (excluding transaction costs) may neither exceed, nor be lower than, the Company's share price, as determined by the closing auction in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last trading day before the publication of the purchase offer, by more than 10 %. If the total number of the shares tendered in response to a public purchase offer exceeds the offer volume, purchases may be made in proportion to the number of shares tendered (tender ratios); in addition, preferential acceptance of small numbers of shares (up to 50 shares per stockholder), as well as rounding in accordance with commercial principles to avoid notional share fractions, may be provided for. Any further stockholder tender rights are disappplied to this extent.

The current authorization to acquire own shares, which runs until April 29, 2015, shall be canceled when this new authorization comes into effect; the existing authorizations concerning the use of shares that have already been acquired remain unaffected by this.

- b) The authorization may be exercised in full, or in a number of partial amounts split across several acquisition dates, until the maximum purchase volume has been reached. The acquisition may also be carried out by group companies that are dependent on the Company within the meaning of section 17 of the AktG, or by third parties on behalf of the Company or such group companies. The authorization may, subject to compliance with the statutory requirements, be exercised for any purpose permissible in law, especially in pursuit of one or more of the purposes listed in sections c), d), e) and f). Trading in own shares is not permitted.

If the own shares acquired are used for one or more of the purposes described under sections c) or d), the stockholders' subscription rights are disappplied. The Board of Management is authorized to disapply subscription rights if the own shares acquired are used for the purpose specified in section f). Stockholders also do not have any subscription rights if the own shares acquired are sold via the stock exchange. In the event that the own shares acquired are sold by means of a public offer to stockholders and this public offer complies with the principle of equal treatment, the Board of Management is authorized to disapply the stockholders' subscription rights for fractions.

- c) The Board of Management is authorized to also sell the own shares acquired under the above authorization in a manner other than via the stock exchange or via an offer to all stockholders, provided that the sale takes place against cash consideration and at a price which, at the date of sale, is not significantly lower than the market price for the same class of shares in the Company. This authorization concerning the use of shares is restricted to shares whose proportionate interest in the capital stock may not in total exceed 10 % of the capital stock either at the date when this authorization becomes effective or, if this amount is lower, at the date when the present authorization is exercised. The upper limit of 10 % of the capital stock is reduced by the proportionate interest in the capital stock which is attributable to those shares which are issued or

sold while disapplying subscription rights under or in accordance with section 186(3) sentence 4 of the AktG on or after April 29, 2014. The upper limit of 10 % of the capital stock is further reduced by the proportionate interest in the capital stock which is attributable to those shares which are to be issued to service bonds with warrants or conversion rights or obligations, provided that these bonds are issued while disapplying subscription rights in application of section 186(3) sentence 4 of the AktG, with the necessary modifications, on or after April 29, 2014.

- d) The Board of Management is authorized to transfer the own shares acquired under the above authorization to third parties, provided this is done for the purpose of acquiring companies, parts of companies, equity interests in companies, or other assets, or to effect business combinations.
- e) The Board of Management is authorized to retire the own shares acquired under the above authorization without a further resolution by the Annual Stockholders' Meeting. The shares may also be retired without reducing the capital by adjusting the proportionate interest of the remaining no-par value shares in the capital stock of the Company. In this case, the Board of Management is authorized to amend the number of no-par value shares in the Articles of Incorporation.
- f) The Board of Management is authorized to use the own shares acquired as a result of the above-mentioned authorization to pay a scrip dividend.
- g) The Board of Management may only use the authorizations in sections c), d) and f) with the consent of the Supervisory Board. Moreover, the Supervisory Board can determine that the measures taken by the Board of Management on the basis of this Annual Stockholders' Meeting resolution may only be implemented with its consent.
- h) Without prejudice to the last half sentence of section a), the authorizations for the use of own shares in sections c) to f) apply, with the necessary modifications, to own shares acquired as a result of an authorization to acquire shares granted previously

by the Annual Stockholders' Meeting. Stockholders' subscription rights are also disappplied to this extent. With regard to the requirement of the consent of the Supervisory Board, section g) applies with the necessary modifications.

- i) Overall, the above authorizations concerning the use of shares may be utilized on one or several occasions, individually or together, in relation to partial volumes of the own shares or all own shares held in total.
- B) Acquisitions using derivatives are also to be possible when exercising the authorization to acquire own shares to be resolved under A).

The Board of Management and Supervisory Board therefore propose the following additional resolution for adoption:

- a) Own shares being acquired as part of the authorization under Agenda Item 8 A) may also be acquired using put or call options. In this case, the option transactions must be entered into with a credit institution, or a company which operates in accordance with section 53(1) sentence 1 or section 53b(1) sentence 1 or (7) of the German Banking Act (KWG), that is independent of the Company (financial institution), provided that this financial institution, when the option is exercised, only delivers shares which were previously acquired via the stock exchange at a market-driven price in compliance with the principle of equal treatment.
- b) The acquisition of shares using put or call options is limited to a maximum of 5 % of the capital stock in existence as of the date of the resolution by the Annual Stockholders' Meeting or, if this value is lower, as of the date when the authorization is exercised.
- c) The option premium paid by the Company in the case of call options and received in the case of put options may not be materially lower than the theoretical fair value of the options concerned calculated using accepted valuation techniques. The exercise price agreed in the option transaction (in each case not including transaction costs, but taking into



account the option premium received or paid) may not be more than 10 % higher or lower than the price of the Company's shares as determined by the opening auction in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the trading day on which the option transaction was entered into.

The term of the individual derivatives may not, in each case, exceed 18 months; it must end at the latest on April 28, 2019, and must be selected so that the acquisition of the shares using derivatives does not take place after April 28, 2019.

- d) The provisions concerning Agenda Item 8 A) also apply to the use of Company shares that have been acquired on the basis of this authorization.

**Agenda Item 8: Report by the Board of Management to the Annual Stockholders' Meeting in accordance with section 71(1) number 8 in conjunction with section 186(4) sentence 2 of the AktG**

Section 71(1) number 8 of the AktG gives stock corporations the option to acquire own shares up to a total of 10 % of their capital stock based on an authorization granted by the Annual Stockholders' Meeting. Agenda Item 8 contains a proposal to grant such an authorization. The aim is to enable the Board of Management, in the interests of the Company and its stockholders, to acquire own shares up to a total of 10 % of the Company's current capital stock either via the stock exchange or by means of a public purchase offer. It will also be possible for the acquisition to be carried out by group companies that are dependent on the Company within the meaning of section 17 of the AktG, or by third parties on behalf of the Company or such group companies. The term of the authorization to acquire own shares is to be in line with the legal provisions, which allow for a term of up to five years.

If the acquisition takes place by means of a public purchase offer, the principle of equal treatment set out in section 53a of the AktG must be complied with at the outset, in the same way as when acquiring shares via the stock exchange. If the number of shares being offered at the fixed offer price exceeds the number of shares being sought by the Company, it will, however, be possible,

under the proposed authorization, for the acquisition to take place in proportion to the number of shares tendered (tender ratios). Generally, the acquisition process can only be performed in an economically sensible manner if acquisitions are made according to tender ratios rather than equity interest ratios. In addition, it will be possible to provide for the preferential acceptance of smaller numbers of shares up to a maximum of 50 shares per stockholder. On the one hand, this option serves to avoid small, generally uneconomic, residual holdings and the resulting potential disadvantage for small stockholders in practice. On the other hand, it also serves to simplify the technical settlement of the acquisition process. Finally, rounding in accordance with commercial principles will be provided for in all cases so as to avoid notional share fractions. This also serves to simplify technical settlement. The Board of Management, in agreement with the Supervisory Board, considers the disapplication of any further stockholder tender rights entailed by this to be objectively justified and reasonable towards stockholders.

The own shares acquired by the Company may be resold via the stock exchange or by means of a public offer to all stockholders. In this way, the principle of equal treatment of stockholders is complied with when the shares are resold. Insofar as the shares are sold by means of an offer to all stockholders, the Board of Management is to be authorized to disapply stockholders' subscription rights to own shares for fractions. The option to disapply subscription rights for fractions serves to ensure a technically executable subscription ratio. The own shares counting as fractions for which stockholders' subscription rights have been disapplied will be sold at best for the Company either via the stock exchange or in another way. The potential dilutive effect is minor due to the restriction to fractions.

In addition, the Company may, under the proposed authorization, also sell the acquired own shares over the counter against cash consideration without making a public offer to all stockholders, if the selling price is not significantly lower than the market price at the date of sale. This authorization makes use of the ability to exercise the simplified disapplication of subscription rights permitted under section 71(1) number 8 of the AktG in accordance with section 186(3) sentence 4 of the AktG, with the necessary

modifications. It serves the interests of the Company in achieving the best possible price when selling own shares. This enables the Company to take advantage of the opportunities offered by the stock exchange situation quickly, flexibly and cost-effectively as they arise. The sale proceeds achievable by setting a market-driven price generally lead to a significantly higher inflow of funds per share sold than in the case of a share placement with subscription rights, where the discounts on the market price are generally not insignificant. Avoiding the lengthy and costly process of settling subscription rights also allows capital requirements to be met quickly by taking advantage of short-term market opportunities. Stockholders' interests in the assets and voting rights are adequately safeguarded in the process. The authorization based on section 186(3) sentence 4 of the AktG to disapply subscription rights when selling own shares is – including any other authorizations concerning the issue or sale of shares or bonds with warrants or conversion rights or obligations while disapplying subscription rights – limited to a maximum total of 10 % of the Company's capital stock in accordance with section 186(3) sentence 4 of the AktG or in application of it with the necessary modifications.

Furthermore, subject to a new authorization by a subsequent Annual Stockholders' Meeting to disapply subscription rights, the Board of Management will not exercise the authorization to sell own shares while disapplying stockholders' subscription rights in the amount of the proportionate interest in the capital stock attributable to shares issued or sold while disapplying stockholders' subscription rights on the basis of other authorizations granted to the Board of Management, insofar as the proportionate interest in the capital stock attributable to these shares exceeds 10 % of the Company's current capital stock. The Board of Management will be bound by this condition until a future Annual Stockholders' Meeting again resolves to authorize the Board of Management to implement capitalization measures while disapplying stockholders' subscription rights. This inclusion will no longer apply and the original authorized volume will again be available once a subsequent Annual Stockholders' Meeting again authorizes the Board of Management to issue or sell shares while disapplying stockholders' subscription rights, or to issue bonds with warrants or conversion rights

or obligations for shares of the Company. Please refer to the Board of Management's reports to the Annual Stockholders' Meeting on Authorized Capital I (Agenda Item 5), on Authorized Capital II (Agenda Item 6) and on the authorization to issue bonds with warrants or convertible bonds (Agenda Item 7) in this regard.

Protection of stockholders from dilution is taken account of by the fact that the shares may only be sold at a price which is not lower than the applicable market price. Final determination of the selling price for the own shares takes place shortly before the sale. The Board of Management will thereby endeavor – taking account of the current market situation – to minimize any discount on the market price. Interested stockholders may maintain their equity interest ratios at essentially the same terms by making additional purchases in the market.

In addition, the Company is to be given the ability to transfer own shares as consideration to third parties, provided this is done for the purpose of acquiring companies, parts of companies, equity interests in companies, or other assets, or to effect business combinations. Stockholders' subscription rights will also be disappplied in the process. The Company competes on a global basis. It must at all times be in a position to act quickly and flexibly in national and international markets. This also includes the ability to merge with other companies to improve its competitive position, or to acquire companies, parts of companies, and equity interests in companies. Particularly in connection with the acquisition of companies or parts of companies, it may, in addition, make sense from an economic perspective to also acquire other assets such as those which make an economic contribution to the company or part of the company. In individual cases, the optimal implementation in terms of the Company's interests involves executing a business combination or acquisition by providing shares in the acquiring company. Experience also shows that the provision of shares in the acquiring company is often demanded as consideration in business combinations and for attractive acquisition targets, both in international and national markets. The ability to grant shares for these purposes is already provided for by Authorized Capital I in Article 4 of the Articles of Incorporation. In addition, however, the aim is to permit the option to grant Company

shares for these purposes without having to implement a capital increase, which takes longer and is also associated with higher administrative costs, due in particular to the requirement to record the transaction in the commercial register. The proposed authorization is intended to give the Company the necessary scope to allow it to exploit any opportunities which may arise for business combinations or acquisitions quickly and flexibly. This would not be possible if subscription rights are granted; neither would the associated advantages for the Company be achievable. Should such plans become more specific, the Board of Management will examine carefully whether or not it should make use of the authorization to grant own shares. When determining relative valuations, the Board of Management will ensure that stockholders' interests are adequately safeguarded. Generally, when valuing the shares being granted as consideration, the Board of Management will be guided by the market price of the Company's shares. It is not, however, the intention to have an automatic link to the market price, especially so as not to call the results of negotiations into question because of market price fluctuations.

Furthermore, the proposed resolution contains an authorization for the Company to retire own shares without a further resolution by the Annual Stockholders' Meeting. The authorization allows the Company to react to the applicable capital market conditions in an appropriate and flexible manner. The proposed authorization thereby provides, in accordance with section 237(3) number 3 of the AktG, that the Board of Management may also retire the shares without reducing the capital. Retiring shares without reducing the capital increases the proportionate interest of the remaining no-par value shares in the Company's capital stock. The Board of Management is authorized to this extent to amend the Articles of Incorporation in relation to the changed number of no-par value shares.

Finally, the proposed resolution provides for the option to use own shares to pay scrip dividends. In this connection, the Board of Management is to be authorized to disapply stockholders' subscription rights to be able to pay a scrip dividend at optimal conditions. In a scrip dividend using own shares, stockholders are given the option of contributing their claim to a dividend payment that arises with

the resolution on the appropriation of earnings by the Stockholders' Meeting to the Company in return for own shares.

The payment of a scrip dividend using own shares can be implemented as an offer to all stockholders, applying their subscription rights and in compliance with the principle of equal treatment (section 53a of the AktG). In each case, stockholders can only subscribe for whole shares; they are entitled to receive cash dividends for that portion of the dividend entitlement that is less (or more) than the subscription price for a whole share and cannot subscribe for shares to this extent. There is no plan to offer fractional interests or establish trading of subscription rights or fractions thereof. This is also considered to be justifiable and appropriate to this extent as the stockholders receive a proportionate cash dividend instead of subscribing for own shares.

Depending on the capital market situation, it may be preferable in individual cases to pay a scrip dividend using own shares such that the Board of Management offers all stockholders entitled to dividends the option to subscribe for own shares against the contribution of their dividend claims in compliance with the principle of equal treatment (section 53a of the AktG) while formally disapplying stockholders' subscription rights in full. Implementing a scrip dividend while formally disapplying subscription rights enables the scrip dividend to be implemented at more flexible conditions. Given the fact that all stockholders are offered the own shares and that surplus fractional dividend amounts are settled by paying a cash dividend, the disapplication of subscription rights to this extent is also considered to be justifiable and appropriate.

According to section g) of the proposed resolution, the Board of Management may only exercise the authorization to also sell own shares over the counter against cash consideration without a public offer to all stockholders, the authorization to transfer own shares to third parties provided this is done for the purpose of acquiring companies, parts of companies, equity interests in companies, or other assets, or to perform business combinations, and the authorization to use own shares to implement a scrip dividend only with the consent of the Supervisory Board.

Moreover, the Supervisory Board will be able to determine that measures taken by the Board of Management on the basis of the proposed Annual Stockholders' Meeting resolution may only be implemented with its consent.

Without prejudice to the option to use the own shares acquired on the basis of the proposed authorization in accordance with sections c) to f) of the proposed resolution, the authorizations for the use of own shares in sections c) to f) are also to apply, with the necessary modifications, to those shares acquired as a result of an authorization to acquire shares previously granted by the Annual Stockholders' Meeting. Stockholders' subscription rights will also be disappplied to this extent. The information provided above also applies to the reasons for disapplying subscription rights, with the necessary modifications. With regard to the requirement for the consent of the Supervisory Board, section g) of the proposed resolution will apply with the necessary modifications.

The Board of Management, in agreement with the Supervisory Board, considers the disapplication of subscription rights in the cases described, to be objectively justified and reasonable towards stockholders for the reasons mentioned – also taking account of a potential dilutive effect. The Board of Management will inform the next Annual Stockholders' Meeting of the utilization of the authorization.

The acquisition of own shares may, where appropriate, be optimized by using derivatives in the form of put and call options. Here too, the principle of equal treatment of stockholders is to be taken into account. The supporting nature of the use of derivatives to acquire own shares finds its expression, among other things, in the fact that they are limited to a maximum of 5 % of the capital stock. The term of the options amounts to a maximum of 18 months and must be selected so that the acquisition of the shares on exercising the options takes place at the latest on April 28, 2019. There is to be no difference in the use of shares acquired using derivatives compared to those acquired directly.

It can be advantageous for the Company to use put or call options to acquire own shares.

By selling put options, the Company grants the purchaser the right to sell shares in the Company to it at a set price (exercise price). In return, the Company receives an option premium. If the put option is exercised, the option premium paid by the purchaser of the put option reduces the total consideration paid by the Company to acquire the shares. From the Company's perspective, the advantage of using put options to buy back shares is that the exercise price is already defined when the option transaction is entered into, whereas the cash outflow does not happen until the exercise date. Using put options to buy back shares can make sense if the Company intends to buy back its own shares when the price is low but is not sure of the best time to do so, for example. If the option is not exercised, the Company cannot acquire its own shares in this way. However, it keeps the option premium. By purchasing a call option, the Company receives the right – against payment of an option premium – to buy its own shares from the seller of the option (the option writer) at a set price (exercise price). Exercising the call option makes economic sense for the Company if the price of its shares is higher than the exercise price, because it can then buy the shares from the writer at the lower exercise price. This allows the Company to hedge against rising share prices. It also preserves the Company's liquidity, since the predefined purchase price for the shares only has to be paid when the call option is exercised.

The authorization does not entitle stockholders to enter into such option transactions with the Company. This, and that fact that the Company can only enter into option transactions with a financial institution, enable Management – in contrast to the case of an offer to all stockholders to enter into option transactions – to enter into option transactions at short notice and in this way, react quickly to market situations.

The terms set out in the resolution prevent stockholders from suffering a material financial disadvantage if the Company uses put or call options to acquire its own shares. Since the Company receives or pays a market-driven price as a result of the provisions on the size of the option premium set out in the authorization, stockholders that do not participate in the option transactions in particular do not suffer any material pecuniary disadvantage.



The position of the stockholders largely corresponds to their position when shares are bought back via the stock exchange and not all stockholders are actually able to sell shares to the Company. Not granting stockholders the right to enter into option transactions with the Company is therefore justified.

Taking into account all of these circumstances, the exclusion of any stockholder right of tender is objectively justified and appropriate for stockholders. The Board of Management will inform the next Annual Stockholders' Meeting of the utilization of the authorization to use derivatives.

#### **9. Approval of the control and profit and loss transfer agreements between the Company and eight group companies (limited liability companies)**

The Company's intercompany agreements with limited liability companies in the Group have to be adapted due to an amendment to the statutory provisions by the German Act Amending and Simplifying Business Taxation and the Taxation of Travel Expenses (Gesetz zur Änderung und Vereinfachung der Unternehmensbesteuerung und des steuerlichen Reisekostenrechts) dated February 20, 2013. Firstly, as a result of this amendment, the existing profit and loss transfer agreements between the Company and Bayer Bitterfeld GmbH, Wolfen; Bayer Innovation GmbH, Leverkusen; Bayer Real Estate GmbH, Leverkusen; Erste K-W-A Beteiligungsgesellschaft, Leverkusen; and Zweite K-W-A Beteiligungsgesellschaft, Leverkusen, are to be replaced by new control and profit and loss transfer agreements. Secondly, the existing control and profit and loss transfer agreements between the Company and Bayer Business Services GmbH, Leverkusen; Bayer Technology Services, Leverkusen; and Bayer US IP GmbH, Leverkusen, are to be revised and harmonized to contain uniform wording.

The material substance of all the amended control and profit and loss transfer agreements between the Company ("BAYER") and the group company concerned ("GROUP COMPANY") is thus as follows:

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**§ 1****Management**

- (1) GROUP COMPANY places the management of its company under the control of BAYER. BAYER is thus entitled to issue instructions to the Management of GROUP COMPANY with regard to the management of the company. The provisions of section 308 of the German Stock Corporation Act (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) GROUP COMPANY undertakes to transfer its entire profit to BAYER. The provisions of section 301 of the AktG, as amended, shall apply with the necessary modifications.
- (2) GROUP COMPANY 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 course 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 reversal 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 Stockholders' Meeting of GROUP COMPANY.
- (2) The amended Agreement shall take effect upon entry in the commercial register at the domicile of GROUP

COMPANY 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 in the commercial register at the domicile of GROUP COMPANY. 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 with regular notice of termination effective at the end of a calendar year, giving 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 is no longer the majority stockholder in GROUP COMPANY, another stockholder has acquired a stake in GROUP COMPANY, 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 to, in particular, 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 does not affect the validity of the remaining provisions

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All control and profit and loss transfer agreements are described in more detail and justified in the respective joint reports on the agreements by the Company's Board of Management and the management of the group company concerned. The individual control and profit and loss transfer agreements are to be resolved separately.

**A) Control and Profit and Loss Transfer Agreement between Bayer AG and Bayer Business Services GmbH**

The Board of Management and the Supervisory Board propose that the Control and Profit and Loss Transfer Agreement between the Company ("BAYER") and Bayer Business Services GmbH ("GROUP COMPANY") dated February 4/17, 2014, be approved.

The material substance of the agreement is reproduced above.

**B) Control and Profit and Loss Transfer Agreement between Bayer AG and Bayer Technology Services GmbH**

The Board of Management and the Supervisory Board propose that the Control and Profit and Loss Transfer Agreement between the Company ("BAYER") and Bayer Technology Services GmbH ("GROUP COMPANY") dated February 17, 2014, be approved.

The material substance of the agreement is reproduced above.

**C) Control and Profit and Loss Transfer Agreement between Bayer AG and Bayer US IP GmbH**

The Board of Management and the Supervisory Board propose that the Control and Profit and Loss Transfer Agreement between the Company ("BAYER") and Bayer US IP GmbH ("GROUP COMPANY") dated February 17, 2014, be approved.

The material substance of the agreement is reproduced above.

**D) Control and Profit and Loss Transfer Agreement between Bayer AG and Bayer Bitterfeld GmbH**

The Board of Management and the Supervisory Board propose that the Control and Profit and Loss Transfer Agreement between the Company ("BAYER") and Bayer Bitterfeld GmbH ("GROUP COMPANY") dated February 11/17, 2014, be approved.

The material substance of the agreement is reproduced above.

#### **E) Control and Profit and Loss Transfer Agreement between Bayer AG and Bayer Innovation GmbH**

The Board of Management and the Supervisory Board propose that the Control and Profit and Loss Transfer Agreement between the Company ("BAYER") and Bayer Innovation GmbH ("GROUP COMPANY") dated February 17, 2014, be approved.

The material substance of the agreement is reproduced above.

#### **F) Control and Profit and Loss Transfer Agreement between Bayer AG and Bayer Real Estate GmbH**

The Board of Management and the Supervisory Board propose that the Control and Profit and Loss Transfer Agreement between the Company ("BAYER") and Bayer Real Estate GmbH ("GROUP COMPANY") dated February 17, 2014, be approved.

The material substance of the agreement is reproduced above.

#### **G) Control and Profit and Loss Transfer Agreement between Bayer AG and Erste K-W-A Beteiligungsgesellschaft mbH**

The Board of Management and the Supervisory Board propose that the Control and Profit and Loss Transfer Agreement between the Company ("BAYER") and Erste K-W-A Beteiligungsgesellschaft mbH ("GROUP COMPANY") dated February 17, 2014, be approved.

The material substance of the agreement is reproduced above.

#### **H) Control and Profit and Loss Transfer Agreement between Bayer AG and Zweite K-W-A Beteiligungsgesellschaft mbH**

The Board of Management and the Supervisory Board propose that the Control and Profit and Loss Transfer Agreement between the Company ("BAYER") and Zweite K-W-A Beteiligungsgesellschaft mbH ("GROUP COMPANY") dated February 17, 2014, be approved.

The material substance of the agreement is reproduced above.

## **10. Election of the auditor of the financial statements and for the review of the half-yearly financial report**

Based on the recommendation of the Audit Committee, the Supervisory Board proposes the election of PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, as the auditor of the annual and consolidated financial statements for the fiscal year 2014 and to review the condensed financial statements and interim management report as of June 30, 2014.

From the date of the notice convening the Annual Stockholders' Meeting, the following documents in particular shall be available together with this notice at [www.bayer.com/stockholders-meeting](http://www.bayer.com/stockholders-meeting):

- The annual financial statements, consolidated financial statements, Combined Management Report, report of the Supervisory Board, explanatory report by the Board of Management on takeover-related information, and the proposal by the Board of Management on the use of the distributable profit, in each case for the fiscal year 2013 (Agenda Item 1)
- Report by the Board of Management in accordance with section 203(2) sentence 2 in conjunction with section 186(4) sentence 2 of the AktG (Agenda Item 5)
- Report by the Board of Management in accordance with section 203(2) sentence 2 in conjunction with section 186(4) of the AktG (Agenda Item 6)
- Report by the Board of Management in accordance with section 221(4) sentence 2 in conjunction with section 186(4) of the AktG (Agenda Item 7)
- Report by the Board of Management in accordance with section 71(1) no. 8 in conjunction with section 186(4) of the AktG (Agenda Item 8)
- The control and profit and loss transfer agreements between the Company and the eight group companies concerned, the respective joint reports on the agreements by the Board of Management and the Management, as well as the annual financial statements of the parties to the control and profit and loss transfer agreements, the Company's combined management report and, where applicable, the management reports

of the group companies concerned for each of the last three fiscal years, insofar as these are available (Agenda Item 9).

These documents shall also be available during the Annual Stockholders' Meeting. In addition, a copy of these documents shall be provided to each stockholder free of charge upon request; in the case of Agenda Item 1, this shall not apply to the Group List of Subsidiaries in accordance with section 313(2) of the HGB and in the case of Agenda Item 9, this shall only apply to the control and profit and loss transfer agreements, the respective joint reports and the annual financial statements of the parties and, where applicable, the management reports of the group companies concerned for each of the last three fiscal years, insofar as these are available.

### **Total number of shares and voting rights, acquisition of own shares**

On the date of the notice convening the Annual Stockholders' Meeting, the Company's capital stock was composed of 826,947,808 registered shares (no-par value shares), each of which conveys one vote.

### **Attendance at the Annual Stockholders' Meeting and exercise of voting rights**

Only those stockholders who are entered in the share register and have registered by the required date are eligible to attend the Annual Stockholders' Meeting and exercise voting rights. Registration must be received by the Company at the latest by 24.00 hours on Tuesday, April 22, 2014 at the following address:

Bayer Aktiengesellschaft  
Stockholder Services  
Postfach 14 60  
61365 Friedrichsdorf  
Fax: + 49 (0)69/2222-34280  
E-mail: bayer.hv@rsgmbh.com

or submitted electronically by accessing the password-protected Annual Stockholders' Meeting internet service (hereinafter "Stockholders' Portal – AGM Service") at [www.stockholders-portal.bayer.com](http://www.stockholders-portal.bayer.com) and following the instructions there.

Access authorization is necessary to use the "Stockholders' Portal – AGM Service." The information required to access the "Stockholders' Portal – AGM Service" (stockholder number and personal access number) will be sent with the Notice. The "Stockholders' Portal – AGM Service" is expected to be available from April 2, 2014. This service can only be used by stockholders entered in the share register by no later than Monday, April 14, 2014 (entry status according to the last transfer entry for this date). However, there are other registration options for stockholders entered in the registry at a later date. Stockholders who have already agreed to the Annual Stockholders' Meeting documents being sent by e-mail will receive an e-mail with the Notice of Meeting as an attachment at the e-mail address they specified.

In accordance with section 67(2) sentence (1) of the AktG, only those stockholders registered as such in the share register shall be deemed to be stockholders of the Company. The entry status of the stockholders in the share register on the date of the Annual Stockholders' Meeting therefore determines eligibility to attend and the number of voting rights they are entitled to exercise. For technical processing reasons, no transfer entries will be made in the share register in the period from Wednesday, April 23, 2014, up to and including Tuesday, April 29, 2014. Consequently, the entry status of the share register on the date of the Annual Stockholders' Meeting will be the status after the last transfer entry on Tuesday, April 22, 2014. The technical record date is thus the end (i.e., 24.00 hours) of April 22, 2014.

Credit institutions and stockholder associations, as well as persons or associations with equivalent status under section 135 of the AktG, may only exercise the voting rights for shares that do not belong to them, but of which they are registered as the holder in the share register, with the relevant authorization. Details relating to this authorization are provided in section 135 of the AktG.

Further information on the registration process can be found on the registration form sent to stockholders and at [www.bayer.com/stockholders-meeting](http://www.bayer.com/stockholders-meeting)

Admission tickets to the Annual Stockholders' Meeting will be issued by the required date after receipt in good time of



the registration, unless the stockholders have previously decided to issue a proxy to a proxy holder designated by the Company, or have registered for postal voting.

Stockholders are requested to note that, owing to the large number of registrations expected for our Annual Stockholders' Meeting, we can generally only send out a maximum of two admission tickets per stockholder. This shall not apply to the authorization of holders of American Depositary Shares of the Company by the Custodian.

Registration to attend the Annual Stockholders' Meeting shall not block the shares for trading. Stockholders shall therefore remain free to dispose of their shares even after registration. Since only those stockholders who are entered in the share register on the date of the Annual Stockholders' Meeting shall be deemed to be stockholders of the Company, the disposal of shares may affect eligibility to attend and the entitlement to exercise voting rights.

### **Exercise of voting rights by a proxy**

Stockholders' voting rights may be exercised by proxy, including by a stockholders' association. Registration by the required date shall also be required in these cases (see "Attendance at the Annual Stockholders' Meeting and exercise of voting rights" above). The issue of a proxy is permissible both before and during the Annual Stockholders' Meeting. To issue a proxy, declarations can be made both to the proxy holder and to the Company. In particular, stockholders may declare at the time of registration that they do not intend to attend the Annual Stockholders' Meeting personally, but wish to be represented by a particular proxy.

Together with the Notice of the Stockholders' Meeting, stockholders will receive a registration form that can be used to issue a proxy and issue voting instructions to the proxy holders designated by the Company or to order admission tickets for a proxy holder. A sample registration form will be made accessible to stockholders at [www.bayer.com/stockholders-meeting](http://www.bayer.com/stockholders-meeting). The voting card packet issued on admission to the Annual Stockholders' Meeting will also include cards for issuing a proxy and, if applicable, issuing voting instructions during the Annual Stockholders' Meeting. The "Stockholders' Portal – AGM Service" also includes an (online) form that allows

stockholders to issue a proxy to a third party, as well as to issue a proxy and voting instructions to proxy holders designated by the Company, either when registering or at a later date. The admission tickets issued by the Company also include a form for issuing a proxy.

Stockholders who wish to make use of proxy voting should note the following in particular:

### **Proxy holders designated by the Company**

The Company offers its stockholders an opportunity to appoint proxy holders whom it has designated. The proxy holders designated by the Company will only exercise voting rights on the basis of the issued proxy if they have been issued voting instructions; they are obliged to vote in accordance with the instructions. However, instructions may only be issued regarding resolutions proposed by the Board of Management and/or the Supervisory Board (including any amendments) and resolutions proposed by stockholders announced by means of an addition to the agenda in accordance with section 122(2) of the AktG.

Proxies and voting instructions issued to proxy holders designated by the Company require text form (section 126b of the German Civil Code (BGB)) unless they are issued using the "Stockholders' Portal – AGM Service."

Proxies and voting instructions may be issued to proxy holders designated by the Company before the Annual Stockholders' Meeting by returning the registration form included with the Notice of the Meeting by mail, or during the Annual Stockholders' Meeting by using the proxy card included with the voting card packet. Without prejudice to the requirement to register by 24.00 hours on Tuesday, April 22, 2014 (see "Attendance at the Annual Stockholders' Meeting and exercise of voting rights" above), if a proxy is issued by mail, it must be received at the mail address specified above by Monday, April 28, 2014 (date of mail delivery).

Proxies and voting instructions may also be issued to proxy holders designated by the Company using the registration form sent to stockholders by fax sent to the above-mentioned fax number or electronically using the (online) form available via the "Stockholders' Portal – AGM Service" (see "Attendance at the Annual Stockholders' Meeting and exercise of voting rights" above). Without

prejudice to the requirement to register by 24.00 hours on Tuesday, April 22, 2014 (see "Attendance at the Annual Stockholders' Meeting and exercise of voting rights" above), proxies and voting instructions issued by fax or via the "Stockholders' Portal – AGM Service" must all be received by 12.00 hours on Monday, April 28, 2014.

The above-mentioned information on transmission options and deadlines applies accordingly to cancellation of a proxy issued to a proxy holder designated by the Company. Despite already having issued a proxy to a proxy holder designated by the Company, a stockholder who wishes to may attend the Annual Stockholders' Meeting personally or via a representative and represent the relevant shares. In this case, the proxy holder designated by the Company will not exercise the stockholder's voting rights. The proxy holder designated by the Company will also refrain from exercising the stockholder's voting rights if the stockholder votes by postal voting (see "Postal voting" below).

Additional information on the issue of proxies and voting instructions to proxy holders designated by the Company can also be found on the registration form sent to stockholders.

### **Authorization of other persons**

The following shall apply if a proxy is issued to a person other than a proxy holder designated by the Company and is not subject to the provisions of section 135 of the AktG (in particular the authorization of credit institutions and stockholder associations): The issue and cancellation of proxies and the notification to the Company must be made in text form (section 126b of the BGB). If the issue or cancellation of proxy is made by means of a declaration to the Company, this may be sent to the above-mentioned address in text form (section 126b of the BGB) or also using the "Stockholders' Portal – AGM Service" (see "Attendance at the Annual Stockholders' Meeting and exercise of voting rights").

In the case of proxies issued within the scope of section 135 of the AktG (in particular the issue of proxies to credit institutions and stockholder associations), text form is not required under section 134(3) sentence 3 of the AktG, nor do the Articles of Incorporation contain specific provisions for such a case. Consequently, the form in which credit institutions and persons or associations of equivalent

status under section 135 of the AktG are issued a proxy need only comply with the statutory provisions applicable to this specific type of proxy, in particular the provisions of section 135 of the AktG.

### **Provision of evidence**

If the proxy is issued by means of a declaration to the Company or if the proxy holder designated by the Company is authorized, additional evidence of authorization shall not be required. However, if the proxy is issued by means of a declaration to the proxy holder, the Company may require evidence of the authorization unless otherwise specified under section 135 of the AktG. Evidence of the authorization may be provided to the Company before the Annual Stockholders' Meeting.

We offer the following electronic communication methods for providing evidence of the appointment of a proxy: The evidence can be provided to the Company by accessing the "Stockholders' Portal – AGM Service" and following the instructions there (see "Attendance at the Annual Meeting of Stockholders and exercise of voting rights" above), or by e-mail to [bayer.hv@rsgmbh.com](mailto:bayer.hv@rsgmbh.com). The evidence can be submitted via the "Stockholders' Portal – AGM Service" until 12.00 hours on Monday, April 28, 2014. Evidence of authorization sent by e-mail must include either the name, date of birth, and address of the stockholder, or the stockholder number, so that it can be correctly allocated. The name and mail address of the designated proxy should also be provided so that the proxy holder may be sent admission tickets.

### **Postal voting**

Stockholders may also cast their votes by mail or electronically without attending the Annual Stockholders' Meeting ("postal voting"). Registration by the required date is also required in these cases (see "Attendance at the Annual Stockholders' Meeting and exercise of voting rights" above). Postal voting shall be limited to resolutions proposed by the Board of Management and/or the Supervisory Board (including any amendments) and resolutions proposed by stockholders announced by means of an addition to the agenda in accordance with section 122(2) of the AktG.

Without prejudice to the requirement to register by 24.00 hours on Tuesday, April 22, 2014 (see "Attendance at the Annual Stockholders' Meeting and exercise of

voting rights" above), the postal vote cast by mail must be received at the above mail address (see "Attendance at the Annual Stockholders' Meeting and exercise of voting rights") by Monday, April 28, 2014 (date of mail delivery).

Postal votes may also be cast by fax to the above-mentioned fax number or electronically using the (online) form available via the "Stockholders' Portal – AGM Service" for the Annual Stockholders' Meeting (see "Attendance at the Annual Stockholders' Meeting and exercise of voting rights" above). Without prejudice to the requirement to register by 24.00 hours on Tuesday, April 22, 2014 (see "Attendance at the Annual Stockholders' Meeting and exercise of voting rights" above), votes cast by fax or via the "Stockholders' Portal – AGM Service" must be received by 12.00 hours on Monday, April 28, 2014.

The above-mentioned requirements regarding the notification options and deadlines shall apply accordingly to the cancellation of postal voting. If a stockholder wishes to attend the Annual Stockholders' Meeting personally or via a representative and represent the relevant shares despite having already cast an absentee vote, attendance is possible, but will be deemed to be cancellation of the absentee vote.

Authorized credit institutions, stockholder associations, and persons of equivalent status under section 135 of the AktG may also cast postal votes.

### **Additions to the agenda**

Stockholders whose shares together account for one-twentieth of the capital stock or a proportionate interest of EUR 500,000 (corresponding to 195,313 shares) may require items to be added to the agenda and announced, in accordance with section 122(2) of the AktG. Each new item must be accompanied by the reasons for it or a proposed resolution. The request must be directed to the Board of Management in writing and may be sent to the following address:

Bayer Aktiengesellschaft  
Board of Management  
Building w11  
Kaiser-Wilhelm-Allee 1  
51373 Leverkusen  
Germany

Requests for additions to the agenda must be received by the Company at least 30 days before the Meeting, i.e., by 24.00 hours on Saturday, March 29, 2014. Applicants must provide evidence that they have been holders of the shares for at least three months preceding the date of receipt of the request and that they will hold the shares until a decision on the motion has been made. Additions to the agenda to be announced will be published in the Bundesanzeiger (Federal Gazette) without delay, unless already announced with the Notice of the Meeting. They will also be made available online at [www.bayer.com/stockholders-meeting](http://www.bayer.com/stockholders-meeting) without delay.

### **Right to submit counter-motions and proposals for election**

Each stockholder has the right to submit motions and proposals for election relating to items of the agenda or the rules of procedure during the Annual Stockholders' Meeting without the need for announcement, publication, or any other special action before the Annual Stockholders' Meeting.

The Company will make available any counter-motions within the meaning of section 126 of the AktG and proposals for election within the meaning of section 127 of the AktG including the name of the stockholder, the reasons (although this is not required for proposals for election), and any statement by the management, at [www.bayer.com/stockholders-meeting](http://www.bayer.com/stockholders-meeting), provided the stockholder has sent the information to the Company at least 14 days before the Meeting, i.e., by 24.00 hours on Monday, April 14, 2014, to the following address:

Bayer Aktiengesellschaft  
Building Q26 (Legal Department)  
Kaiser-Wilhelm-Allee 20  
51373 Leverkusen  
Germany  
Fax: + 49 (0) 214/30-26786  
E-mail: [hv.gegengantraege@bayer.com](mailto:hv.gegengantraege@bayer.com)

and the other requirements regarding the corresponding duty under sections 126 and 127 of the AktG have been met.

**Right of information**

In accordance with section 131(1) of the AktG, each stockholder is entitled to request and receive information from the Board of Management during the Annual Stockholders' Meeting on issues relating to the Company, provided that the information is required for the due and proper assessment of an item on the agenda, and there is no right to refuse disclosure. The duty of disclosure also extends to the legal and business relationships of the Company with an affiliated company and the position of the Group and the companies included in the consolidated financial statements. Furthermore, with regard to Agenda Item 9, in accordance with section 293g(3) of the AktG, each stockholder is entitled to request and receive information from the Board of Management during the Annual Stockholder's Meeting on all issues relating to the group companies described in this agenda item that are material to the conclusion of the agreements.

**Further explanations**

This and further information on the stockholders' rights under section 122(2), section 126(1), section 127, and section 131(1) of the AktG is available on the Annual Stockholder's Meeting website [www.bayer.com/stockholders-meeting](http://www.bayer.com/stockholders-meeting)

**Partial transmission**

All stockholders of the Company and any interested members of the public can follow live streaming of the speech by the Chairman of the Board of Management at the Annual Stockholders' Meeting on April 29, 2014 at [www.bayer.com/stockholders-meeting](http://www.bayer.com/stockholders-meeting) from around 10.10 a.m. There will be no other video or audio transmission of the Annual Stockholders' Meeting.

Leverkusen, February 2014

Bayer Aktiengesellschaft

The Board of Management

# Supervisory Board elections

The end of the Annual Stockholders' Meeting 2014 marks the end of the term of office of the following Supervisory Board members: Prof. Dr.-Ing. Ekkehard D. Schulz, Krefeld, and Prof. Dr. Dr. h.c. mult. Ernst-Ludwig Winnacker, Munich. Two stockholder representatives must therefore be elected. According to sections 96(1) and 101(1) of the AktG and section 7(1) sentence 1 number 3 of the German Codetermination Act (MitbestG) of 1976, the Company's Supervisory Board is composed of ten stockholder representatives and ten employee representatives.

Based on the recommendation of the Nomination Committee, the Supervisory Board nominates for election to the Supervisory Board Dr. rer. nat. Simone Bagel-Trah for the period up to the end of the Annual Stockholders' Meeting that resolves to ratify her actions for fiscal year 2018 and Prof. Dr. Dr. h. c. mult. Ernst-Ludwig Winnacker for the period up to the end of April 29, 2016. In electing stockholder representatives, the Annual Stockholders' Meeting is not required to elect the candidates proposed. Each candidate will be elected individually.

Dr. rer. nat. Bagel-Trah is not currently a member of the Company's Supervisory Board.

Prof. Dr. Dr. h.c. mult. Winnacker was elected as a member of the Supervisory Board by the 2012 Annual Stockholders' Meeting until the 2014 Annual Stockholders' Meeting and is now being proposed for reelection for another two years. The current plan is to propose to the 2016 Annual Stockholder's Meeting that Prof. Dr. Wolfgang Plischke be elected as his successor, so that the Supervisory Board continues to have one member with particular expertise in research. Prof. Dr. Plischke is stepping down from the Company's Board of Management as of the end of April 29, 2014; the statutory cooling-off period before former Board of Management members can join the Supervisory Board (section 100(2) sentence 1 no. 4 of the AktG) therefore expires in his case two years later, in 2016.



**DR. SIMONE BAGEL-TRAH**

born January 10, 1969  
in Düsseldorf, Germany

Entrepreneur, Chairwoman  
of the Supervisory Board and  
the Shareholders' Committee  
of Henkel AG & Co. KGaA

1988 to 1993 Study of biology  
at the University of Bonn,  
Germany;

1998 Ph.D. in microbiology;

1998 to 2000 Independent  
consultant; project management  
for the Association of Applied  
Microbiology; coordination of  
industrial projects for the  
Pharmaceutical Microbiology  
department of the University  
of Bonn;

1999 to 2001 Member of the  
Supervisory Board of Cognis B.V.;

Since 2000 Partner and Director  
of Antiinfectives Intelligence  
Gesellschaft für klinisch-mikro-  
biologische Forschung und  
Kommunikation mbH;

2001 to 2005 Member of the  
Supervisory Board of Henkel  
KGaA;

2005 to 2008 Member of the  
Shareholders' Committee of  
Henkel KGaA;

2008 to 2009 Member of the  
Supervisory Board and Vice  
Chairwoman of the Shareholders'  
Committee of Henkel AG  
& Co. KGaA; Vice Chairwoman  
of the Supervisory Board of  
Henkel Management AG

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

born July 26, 1941  
in Frankfurt am Main, Germany

Secretary General of the Human  
Frontier Science Program  
(Strasbourg)

1960 to 1965 Degree in  
chemistry, Swiss Federal  
Institute of Technology, Zurich;

1968 Doctorate;

1968 to 1972 Postdoctorates  
at the University of California,  
Berkeley and the Karolinska  
Institute in Stockholm;

1972 to 1977 Assistant, then  
Visiting Professor for the German  
Research Foundation (DFG)  
at the Institute for Genetics,  
University of Cologne;

1977 to 1980 Associate Professor,  
Institute of Biochemistry, Ludwig  
Maximilian University of Munich;

Since 1980 Full Professor,  
Institute of Biochemistry,  
University of Munich;

1984 to 1997 Director of the  
Laboratory of Molecular Biology,  
University of Munich Gene  
Center;

1987 to 1993 Vice President  
of the German Research Found-  
ation;

1998 to 2006 President of the  
German Research Foundation;

2007 to 2009 First Secretary  
General of the European Research  
Council (ERC), Brussels;

Member of the Supervisory Board  
of Bayer AG since April 1997

**MASTHEAD****Publisher**

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the Bayer **Annual  
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Meeting 2014**  
can be found at:  
BAYER.COM / ASM



Bayer's **online  
Annual Report**  
is available at:  
BAYER.COM / AR13

**Forward-Looking Statements:**

This publication contains forward-looking statements based on current assumptions and forecasts made by Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual financial position, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports, which are available on the Bayer website at [www.bayer.com](http://www.bayer.com). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

## Key data

	2012	2013	Change
	€ million	€ million	%
Sales	39,741	40,157	+1.0
EBIT <sup>1</sup>	3,928	4,934	+25.6
EBIT before special items <sup>2</sup>	5,639	5,773	+2.4
EBITDA <sup>3</sup>	6,916	7,830	+13.2
EBITDA before special items <sup>2</sup>	8,280	8,401	+1.5
EBITDA margin before special items <sup>4</sup>	20.8%	20.9%	
Income before income taxes	3,176	4,207	+32.5
Net income	2,403	3,189	+32.7
Earnings per share (€) <sup>5</sup>	2.91	3.86	+32.6
Core earnings per share (€) <sup>6</sup>	5.30	5.61	+5.8
Gross cash flow <sup>7</sup>	4,556	5,832	+28.0
Net cash flow <sup>8</sup>	4,530	5,171	+14.2
Net financial debt	7,022	6,731	-4.1
Capital expenditures as per segment table	2,012	2,155	+7.1
Research and development expenses	3,013	3,190	+5.9
Dividend per Bayer AG share (€)	1.90	2.10	+10.5

2012 figures restated

<sup>1</sup> EBIT = earnings before financial result and taxes

<sup>2</sup> EBIT before special items and EBITDA before special items are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. EBITDA before special items is a meaningful indicator of operating performance since it is not affected by depreciation, amortization, impairments or special items. By reporting this indicator, the company aims to give readers a clear picture of the results of operations and ensure comparability of data over time. See also Combined Management Report, Chapter 16.2 "Calculation of EBIT(DA) Before Special Items", on page 121 f. of the Bayer Annual Report 2013.

<sup>3</sup> EBITDA = EBIT plus amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment, minus impairment loss reversals. See also Combined Management Report, Chapter 16.2 "Calculation of EBIT(DA) Before Special Items", on page 121 f. of the Bayer Annual Report 2013.

<sup>4</sup> The EBIT(DA) margin before special items is calculated by dividing EBIT(DA) before special items by sales.

<sup>5</sup> Earnings per share as defined in IAS 33 = net income divided by the average number of shares. For details see Note [16] to the consolidated financial statements, on page 225 of the Bayer Annual Report 2013.

<sup>6</sup> Core earnings per share are not defined in the International Financial Reporting Standards. By reporting this indicator, the company aims to give readers a clear picture of the results of operations and ensure comparability of data over time. The calculation of core earnings per share is explained in the Combined Management Report, Chapter 16.3 "Core Earnings Per Share", on page 122 f. of the Bayer Annual Report 2013.

<sup>7</sup> Gross cash flow = income after income taxes, plus income taxes, plus financial result, minus income taxes paid or accrued, plus depreciation, amortization and impairment losses, minus impairment loss reversals, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, minus gains from the remeasurement of already held assets in step acquisitions. The change in pension provisions includes the elimination of non-cash components of EBIT. It also contains benefit payments during the year. For details see Combined Management Report, Chapter 16.5 "Liquidity and Capital Expenditures of the Bayer Group", on page 125 ff. of the Bayer Annual Report 2013.

<sup>8</sup> Net cash flow = cash flow from operating activities according to IAS 7.

The Bayer Annual Report can be ordered using the postcard.

# Financial Calendar

PLEASE SEND ME THE FOLLOWING PUBLICATIONS

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

## Annual Report

- ☐ English
- ☐ one-time delivery
- ☐ German
- ☐ regular delivery

## Stockholders' Newsletter

- ☐ English
- ☐ one-time delivery
- ☐ German
- ☐ regular delivery

## Names | Figures | Facts

- ☐ English
- ☐ one-time delivery
- ☐ German
- ☐ regular delivery

## Bayer Magazine as an app and on the internet

- ☐ Please notify me at the email address entered on the reverse when a new issue is published.

## Scientific Magazine „research“

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- ☐ one-time delivery
- ☐ German
- ☐ regular delivery

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