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CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

between

Bayer Aktiengesellschaft, Leverkusen
and Bayer Beteiligungsverwaltung Goslar GmbH, Leverkusen

JOINT REPORT

dated February 18, 2013

of the Board of Management of Bayer Aktiengesellschaft and the Management of Bayer Beteiligungsverwaltung Goslar GmbH, Leverkusen

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

submitted under item 4 of the agenda of the Annual Stockholders' Meeting of Bayer Aktiengesellschaft on April 26, 2013

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* The Bayer AG financial statements for 2010, 2011 and 2012 are available on the internet at www.bayer.com/stockholders-meeting; this also applies to the respective management reports of Bayer AG contained in the annual reports. You can also order the printed versions of the Bayer AG financial statements and the Bayer Annual Reports for these years by email (serviceline@bayer.com). Bayer Beteiligungsverwaltung Goslar GmbH does not prepare a management report.

CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

between

Bayer Aktiengesellschaft, Leverkusen (“BAYER”),

and

Bayer Beteiligungsverwaltung Goslar GmbH (“BBVG”)

§ 1. Management

(1) BBVG places the management of its company under the control of BAYER. BAYER is thus entitled to issue instructions to the Management of BBVG with regard to the management of the company.

(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) BBVG undertakes to transfer its entire profit to BAYER. Section 301 of the German Stock Corporation Act (AktG), as amended, shall apply with the necessary modifications. This obligation shall apply for the first time to the entire profit of the fiscal year in which this Agreement enters into force.

(2) BBVG 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 and shall be used to offset the net loss for any year or be transferred as profit. 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

BAYER is required to absorb the losses of BBVG in accordance with section 302 of the AktG, as amended. This obligation shall apply for the first time to any net loss incurred in the fiscal year in which this Agreement enters into force.

§ 4. Effective Date and Duration

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

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

(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 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 shareholder in BBVG, another shareholder has acquired a stake in BBVG, 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.

Leverkusen, February 18, 2013

Bayer AG

Schönefeld, February 18, 2013

Bayer Beteiligungsverwaltung Goslar GmbH

JOINT REPORT

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

and the Management of Bayer Beteiligungsverwaltung Goslar GmbH, Leverkusen ("BBVG"), on the Control and Profit and Loss Transfer Agreement between Bayer and BBVG in accordance with section 293a of the German Stock Corporation Act (AktG)

In order to inform their respective stockholders and prepare the resolution for the Annual Stockholders' Meeting of Bayer and the Annual Stockholders' Meeting of BBVG, the Board of Management of Bayer and the Management of BBVG are submitting the following joint report on the Control and Profit and Loss Transfer Agreement between Bayer and BBVG

1. CONCLUSION OF THE AGREEMENT; EFFECTIVE DATE

The Control and Profit and Loss Transfer Agreement between Bayer and BBVG was concluded on February 18, 2013. It will be submitted for approval in accordance with section 293 of the AktG to Bayer's Annual Stockholders' Meeting on April 26, 2013. BBVG's Annual Stockholders' Meeting approved the conclusion of the Control and Profit and Loss Transfer Agreement by way of a notarized resolution dated February 19, 2013. The Agreement must also be entered in the commercial register at the domicile of BBVG in order to take effect.

2. PARTIES TO THE AGREEMENT

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

Bayer's total assets in 2010 and 2011 were approximately €39 billion and €38 billion respectively, distributable profit was €1,240 billion in 2010 and €1,364 billion in 2011. In 2012, total assets in 2012 were approximately €36 billion and distributable profit was €1,571 billion.

BBVG is a German limited liability company (Gesellschaft mit beschränkter Haftung) entered in the commercial register of the Cologne Local Court under the number HRB 59487. Its fiscal year is the calendar year. The company's registered office is in Leverkusen, but its management is in Schönefeld. Its capital stock amounts to €42,000,000.00. The sole shareholder is Bayer. The purpose of the company is to manage its own assets. The company is authorized to undertake all business that is related to, or directly or indirectly serves, the purpose of the company. The company may establish, acquire, and invest in other enterprises.

BBVG was formerly known as H.C. Starck GmbH, Goslar, which was a wholly owned Group company of Bayer AG and was active in particular in the manufacture and distribution of ceramic and metal products. It transferred its operations to a limited partnership in 2006 by means of a spin-off by way of acquisition. Since the sale of the shares of the limited partnership to an acquirer, which was completed in February 2007, BBVG's main focus has been on the investment of the proceeds of the sale that accrued to it.

BBVG's total assets in recent fiscal years amounted to approximately €500 million per year. Net income in 2010 was approximately €1.6 million and approximately €5.4 million in 2011. In 2012, BBVG generated a net loss of approximately €16.8 million.

One of the factors contributing to the net loss in 2012 was an investment in October 2012 in shares in an investment fund amounting to €200.00 million for the purpose of diversifying its short-term investment portfolio. Write-downs of around €3.6 million had to be charged on these shares as of December 31, reducing net income. The company's higher tax expense in 2012 is attributable to the completed tax audit for the years 2007 to 2009 and to income in connection with the shares in the investment fund to be recognized in the tax accounts only. When the shares are redeemed, the fact that income has already been taxed will reduce taxable income.

3. EXPLANATION OF THE CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

BBVG places the management of its company under the control of Bayer in section 1 of the Agreement. On its entry into force, the Agreement thus establishes that Bayer has special powers to manage the Group. Bayer is entitled to issue instructions to the Management of BBVG with regard to the management of the company. To the extent that no instructions are issued, the Management of BBVG manages the company at its own responsibility.

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

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

Bayer is required to absorb the losses in accordance with section 302 of the AktG, as amended. Pursuant to section 302 of the AktG, Bayer is obligated to compensate any net loss for the year arising during the term of the Agreement to the extent that it is not offset by withdrawing amounts from other retained earnings that were transferred to such reserves during the course of the Agreement. By way of application of section 302(3) of the AktG, with the necessary modifications, BBVG may not waive or settle the claim to have losses offset until three years after the date on which entry or termination of the Agreement in the commercial register is deemed to have been announced.

The Agreement takes effect upon entry in the commercial register at the domicile of BBVG and applies retroactively for the period from the start of the fiscal year in which the entry was made, except for the right to issue instructions. 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 Agreement takes effect. If the Agreement is not terminated, it will be automatically extended by one fiscal year in each case, subject to the same notice period. In addition, the Agreement can be terminated for good cause without compliance with any notice period. This applies especially to Bayer in the event that Bayer is no longer the majority shareholder in BBVG, another shareholder has acquired a stake in BBVG, 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 also extends to the merger, split-off, or liquidation of one of the Parties.

To ensure recognition as a consolidated tax group, the Agreement had to be concluded for a period of at least five calendar years. To allow the tax advantages of the consolidated tax group to be used commencing with the year of entry in the commercial register, the Parties have agreed on the retroactive effect of the Agreement described above.

The Control and Profit and Loss Transfer Agreement does not provide for any compensation payments or any settlement for minority shareholders because Bayer is the sole shareholder in BBVG.

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

4. ECONOMIC IMPORTANCE AND PURPOSE OF THE CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

The Control and Profit and Loss Transfer Agreement serves the purpose of establishing a consolidated tax group for corporate income tax purposes between Bayer and BBVG under section 14 of the German Corporate Income Tax Act (KStG). In addition, the Agreement is intended to establish a consolidated trade tax group between Bayer and BBVG in accordance with section 2(2) of the German Trade Tax Act (GewStG). Therefore, the Agreement contains the standard provisions for any control and profit and loss transfer agreement entered into to establish a consolidated tax group within a group of companies.

The consolidated tax group for corporate income tax and trade tax purposes results in consolidated taxation of BBVG (the tax group subsidiary) and Bayer (the tax group parent). This enables profits and losses to be offset against each other for tax purposes. For purposes of trade tax, BBVG, as the subsidiary, constitutes a permanent establishment of Bayer, the parent. Only Bayer as the tax group parent is liable for trade tax.

The Control and Profit and Loss Transfer Agreement therefore enables the tax-optimized recognition of the profits and losses of BBVG in the context of a consolidated tax group for corporate income tax and trade tax purposes.

The provisions governing control of BBVG strengthen Bayer's powers to manage the Group, including with regard to the issue of instructions that may put BBVG at a disadvantage but can be demonstrated to be in the interests of the Group.

5. ALTERNATIVES TO CONCLUDING THE CONTROL AND PROFIT AND LOSS TRANSFER AGREEMENT

There was no economically reasonable alternative to concluding the Control and Profit and Loss Transfer Agreement between Bayer and BBVG that could have achieved the objectives described above in the same manner or better. In particular, the conclusion of other types of intercompany agreements within the meaning of section 292 of the AktG (agreement to lease a business, agreement to transfer a business, profit pooling, or partial profit transfer agreement) or a management agreement could not have achieved the consolidated taxation of Bayer and BBVG. Bayer's right to issue instructions cannot be achieved in an identical or better manner by means of a different measure.

Leverkusen, February 18, 2013

Bayer Aktiengesellschaft
The Board of Management

Marijn Dekkers	
Dr. Dekkers	Baumann
Prof. Dr. Plischke	Dr. Pott

Schönefeld, February 18, 2013

Bayer Beteiligungsverwaltung Goslar GmbH
The Management

Fredrich	Schröder