



BAYER AKTIENGESELLSCHAFT

(incorporated in the Federal Republic of Germany)
as Issuer

EUR 1,300,000,000
Subordinated Resettable Fixed Rate Notes due 2075

Bayer Aktiengesellschaft (the "**Issuer**" or "**Bayer AG**" and together with its consolidated subsidiaries, the "**Bayer Group**", "**Group**" or "**Bayer**") will issue EUR 1,300,000,000 in aggregate principal amount of subordinated notes subject to interest rate reset with a first call date on October 2, 2022 (the "**Notes**") in a denomination of EUR 1,000 on April 2, 2015 (the "**Issue Date**") at an issue price of 99.499 % of their principal amount (the "**Offering**").

The Notes will bear interest on their principal amount (i) from and including April 2, 2015 (the "**Interest Commencement Date**") to but excluding October 2, 2022 (the "**First Call Date**") at a rate of 2.375 % per annum (first short coupon); (ii) from and including the First Call Date to but excluding October 2, 2027 (the "**First Step-up Date**") at the relevant 5-year swap rate for the relevant reset period plus a margin of 200.7 basis points per annum; (iii) from and including the First Step-up Date to but excluding October 2, 2042 (the "**Second Step-up Date**") at the relevant 5-year swap rate for the relevant reset period plus a margin of 225.7 basis points per annum; and (iv) from and including the Second Step-up Date to but excluding April 2, 2075 (the "**Maturity Date**") at the relevant 5-year swap rate for the relevant reset period plus a margin of 300.7 basis points per annum (last short coupon).

During each period, interest will be paid annually in arrears on October 2 of each year (each an "**Interest Payment Date**"), commencing on October 2, 2015 (first short coupon). The last Interest Payment Date is the Maturity Date (last short coupon). The Issuer will be entitled to defer payments of interest on any Interest Payment Date ("**Arrears of Interest**") and may pay such Arrears of Interest voluntarily at any time, but only has to pay such Arrears of Interest under certain circumstances as laid out in the terms and conditions of the Notes (the "**Conditions**").

The Notes will be redeemable in whole but not in part at the option of the Issuer at their principal amount plus accrued and unpaid interest and upon payment of any outstanding Arrears of Interest on the First Call Date and on any respective Interest Payment Date thereafter. The Issuer may also redeem the Notes in whole but not in part at any time before the First Call Date following a Rating Event, a Tax Deductibility Event or a Gross-up Event at the Early Redemption Amount (each as defined in the applicable Conditions). Additionally, the Issuer may redeem the Notes, in whole but not in part, if the Issuer has purchased or redeemed at least 80% of the originally issued aggregate principal amount of the Notes.

The Notes will initially be represented by a temporary global note, without interest coupons, which will be exchangeable in whole or in part for a permanent global note without interest coupons, not earlier than 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership. The Notes will be issued in bearer form.

Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market. The Luxembourg Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on Markets in Financial Instruments, as amended.

This prospectus (the "**Prospectus**") constitutes a prospectus within the meaning of Article 5.3 of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 as amended from time to time (the "**Prospectus Directive**").

By approving a prospectus, the *Commission de Surveillance du Secteur Financier* (the "**Commission**") shall give no undertaking as to the economic and financial soundness of the operation or the quality or solvency of the issuer pursuant to Article 7(7) *Loi relative aux prospectus pour valeurs mobilières*.

This Prospectus has been approved by the Commission, has been filed with said authority and will be published in electronic form on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Notes are expected to be rated BBB by Standard & Poor's Credit Market Services Europe Ltd (Niederlassung Deutschland), a division of McGrawHill Financial ("**S&P**") and Baa2 by Moody's Investors Service Ltd. ("**Moody's**" and, together with S&P, the "**Rating Agencies**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended) (the "**CRA Regulation**"). In general, European regulated investors are restricted from using a credit rating for regulatory purposes if such credit rating is not issued by a rating agency established in the European Union and registered under the CRA Regulation. A list of credit rating agencies registered under the CRA Regulation is available for viewing at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>.

Joint Bookrunners and Co-ordinating Banks

Deutsche Bank

**Société Générale Corporate &
Investment Banking**

**The Royal Bank of
Scotland**

Joint Bookrunners

**Banco Bilbao Vizcaya
Argentaria, S.A.**

Crédit Agricole CIB

MUFG

RESPONSIBILITY STATEMENT

Bayer AG with its registered office in Leverkusen is solely responsible for the information given in this Prospectus and for the information relating to the Notes.

The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus for which it is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Prospectus should be read and understood in conjunction with all documents incorporated herein by reference.

The Issuer has confirmed to Deutsche Bank AG, London Branch ("**Deutsche Bank**"), Société Générale ("**SocGen**"), The Royal Bank of Scotland plc ("**RBS**" and together with Deutsche Bank and SocGen, the "**Co-ordinating Banks**") and Banco Bilbao Vizcaya Argentaria, S.A., Crédit Agricole Corporate and Investment Bank and Mitsubishi UFJ Securities International plc (together with the Co-ordinating Banks, the "**Joint Bookrunners**") that this Prospectus contains all information which, according to the particular nature of the Issuer and of the Notes admitted to trading on a regulated market, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses, and prospects of the Issuer, and of the rights attaching to the Notes; that the information contained herein with respect to the Issuer and the Notes is accurate in all material respects and is not misleading; that any opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts, the omission of which would make any statement, whether fact or opinion, in this Prospectus misleading in any material respect; and that all reasonable enquiries have been made to ascertain all facts and to verify the accuracy of all statements contained herein.

NOTICE

No person has been authorized to give any information or to make any representation not contained in or not consistent with this Prospectus and, if given or made, such information or representation, if given or made, must not be relied upon as having been authorized by the Issuer or the Joint Bookrunners.

Neither the Joint Bookrunners nor any other person mentioned in this Prospectus, excluding the Issuer, is responsible for the information contained in this Prospectus, or any other document incorporated herein by reference, and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility for the accuracy and completeness of the information contained in any of these documents.

This Prospectus reflects the status as of its date of issue. The distribution of this Prospectus and the offering, sale or delivery of the Notes may not be taken as an implication that the information contained herein is accurate and complete subsequent to the date hereof or that there has been no adverse change in the financial situation of the Issuer since the date hereof.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus come are required to inform themselves about and observe any such restrictions. For a description of the restrictions applicable in the United States of America, the United Kingdom and the European Economic Area see "*Selling Restrictions*". In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, and are subject to tax law requirements of the United States of America; subject to certain exceptions, Notes may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of U.S. persons.

This Prospectus may not be used for the purpose of an offer or solicitation (i) by anyone in any jurisdiction in which such offer or solicitation is not authorized or (ii) to any person to whom it is unlawful to make such an offer or solicitation.

IN CONNECTION WITH THE ISSUE OF THE NOTES, DEUTSCHE BANK (THE "STABILISING MANAGER") (OR PERSON(S) ACTING ON ITS BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN AT ANY TIME AFTER ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

The language of the Prospectus is English. The German versions of the English language sets of Conditions are shown in the Prospectus for additional information. As to form and content, and all rights and obligations of the Holders and the Issuer under the Notes to be issued, German is the controlling legally binding language.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events but is based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as "*anticipate*", "*believe*", "*could*", "*estimate*", "*expect*", "*intend*", "*may*", "*plan*", "*predict*", "*project*", "*will*" and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Prospectus containing information on future earning capacity, plans and expectations regarding the Bayer Group's business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Forward-looking statements in this Prospectus are based on current estimates and assumptions that the Issuer makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Bayer Group's financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Bayer Group's business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to read the following sections of this Prospectus: "*Risk Factors*" and "*Bayer AG*". These sections include more detailed descriptions of factors that might have an impact on the Bayer Group's business and the markets in which it operates.

In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur. In addition, neither the Issuer nor the Joint Bookrunners assume any obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

CONSENT TO THE USE OF THE PROSPECTUS

The Issuer does not consent to the use of the Prospectus for the subsequent resale or final placement of the Notes.

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SUMMARY

Summaries are made up of disclosure requirements known as "*Elements*". These elements are numbered in Sections A – E (A.1 – E.7).

This summary (the "**Summary**") contains all the Elements required to be included in a summary for this type of Notes and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the Summary because of the type of Notes and Issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the Summary with the mention of "not applicable".

Element	Section A – Introduction and warnings	
A.1	Warnings	<p style="text-align: center;">Warning that:</p> <ul style="list-style-type: none"> ▪ this Summary should be read as an introduction to this prospectus (the "Prospectus"); ▪ any decision to invest in the Notes should be based on consideration of the Prospectus as a whole by the investor; ▪ where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus, before the legal proceedings are initiated; and ▪ civil liability attaches only to the Issuer who has tabled the Summary including any translation thereof, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such Notes.
A.2	Consent to the use of the Prospectus	Not applicable. The Issuer does not consent to the use of the Prospectus for the subsequent resale or final placement of the Notes.

Element	Section B – Bayer AG	
B.1	Legal and commercial name	Bayer Aktiengesellschaft (the " Issuer " or " Bayer AG " and together with its consolidated subsidiaries, the " Bayer Group ", " Group " or " Bayer ")
B.2	Domicile / Legal form / Legislation / Country of incorporation	Bayer AG is a stock corporation (<i>Aktiengesellschaft</i>) incorporated and mainly operated under the laws of Germany. Its registered office is located at Kaiser-Wilhelm Allee 1, 51373 Leverkusen, Germany.
B.4b	Known trends affecting the Issuer and the industries in which it operates	<p>Bayer's growth could be impeded by increasing global cost pressure on health systems. Pharmaceutical products are subject to regulatory price controls and regulations in many markets, and government reimbursement systems often favor less expensive generic medicines over branded products. In addition, in some markets, major suppliers in the health care sector can exert substantial pressure on prices. Price controls and pricing pressure reduce earnings from Bayer's pharmaceutical products and may occasionally make the market launch of a new product unprofitable.</p> <p>According to Bayer's assessment the current extent of regulatory controls and market pressures on pricing will persist or increase. Changes with respect to price development and governmental price controls in Bayer's key markets are continuously monitored. Depending on the intensity of such price controls and the pressure on prices, it could be necessary to adjust Bayer's business model.</p> <p>The expectations of the public and the regulatory authorities with regard to the safety and efficacy of chemical and pharmaceutical products are constantly rising. Against this background, Bayer continues to anticipate increasing regulatory requirements for clinical or (eco)toxicological studies, for example. This increases product development costs and the time it takes to obtain registration or marketing approval.</p> <p>A large proportion of Bayer's products, especially in the Life Science businesses, is covered by patents. Generic manufacturers, in particular, attempt to contest patents prior to their expiration. Sometimes a generic version of a product may even be launched "at risk" prior to the issuance of a final patent decision. When a patent defense is unsuccessful, or if one of Bayer's patents expires, prices are likely to come under pressure because of increased competition from generic products entering the market.</p> <p>For MaterialScience, an economic downturn, changes in competitors' behavior or the market entry of new competitors can lead to a more intense competitive situation characterized by overcapacities and increased pressure on prices.</p> <p>The Bayer Group requires significant quantities of energy and petrochemical feedstocks for its production processes. Procurement prices for energy and raw materials may</p>

		fluctuate significantly. Experience has shown that higher production costs cannot always be passed on to customers through price adjustments. This applies especially to MaterialScience.																								
B.5	Description of the Group and the Issuer's position within the Group	Bayer AG, headquartered in Leverkusen, Germany, is the strategic management holding company for the Bayer Group, which as per December 31, 2014 included 302 consolidated subsidiaries.																								
B.9	Profit forecast or estimate	Not applicable. No profit forecast or estimate has been included.																								
B.10	Nature of any qualifications in the audit report on historical financial information	Not applicable. The audit reports do not include any qualifications.																								
B.12	Selected historical key financial information	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th colspan="2" style="text-align: center;"><u>As of and for the year ended</u></th> </tr> <tr> <th></th> <th style="text-align: center;"><u>December 31, 2014</u></th> <th style="text-align: center;"><u>December 31, 2013</u></th> </tr> <tr> <th></th> <th colspan="2" style="text-align: center;">in million Euro</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td style="text-align: right;">42,239</td> <td style="text-align: right;">40,157</td> </tr> <tr> <td>Net income^(a)</td> <td style="text-align: right;">3,426</td> <td style="text-align: right;">3,189</td> </tr> <tr> <td>Net cash flow^(b)</td> <td style="text-align: right;">5,810</td> <td style="text-align: right;">5,171</td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">70,234</td> <td style="text-align: right;">51,317</td> </tr> <tr> <td>Equity</td> <td style="text-align: right;">20,218</td> <td style="text-align: right;">20,804</td> </tr> </tbody> </table> <p>^(a) Net income = Income (loss) after tax attributable to Bayer AG stockholders ^(b) Net cash provided by / used in operating activities</p>		<u>As of and for the year ended</u>			<u>December 31, 2014</u>	<u>December 31, 2013</u>		in million Euro		Sales	42,239	40,157	Net income ^(a)	3,426	3,189	Net cash flow ^(b)	5,810	5,171	Total assets	70,234	51,317	Equity	20,218	20,804
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	Trend information	There has been no material adverse change in the prospects of the Bayer Group since the end of the last reporting period ended December 31, 2014.																								
	Significant change in the financial or trading position	Not applicable. There has been no significant change in the financial or trading position of the Bayer Group since the end of the last reporting period ended December 31, 2014.																								
B.13	Recent developments	On September 18, 2014, Bayer announced that it will in future focus entirely on the Life Science businesses – HealthCare and CropScience – and intends to float MaterialScience on the stock market as a separate company by mid-2016 at the latest.																								
B.14	Statement of dependency upon other entities within the group	see Element B.5 Not applicable. Bayer AG is not dependent upon other entities within the Bayer Group.																								
B.15	Principal activities	<p>Bayer is a global enterprise with core competencies in the areas of health care, agriculture and high-tech polymer materials.</p> <p>Bayer HealthCare is a world-leading innovation company in the area of prescription medicines and consumer products. This subgroup researches, develops, manufactures and markets products to improve the health of people and animals.</p> <p>Bayer CropScience is one of the world's leading research-intensive companies in the agricultural industry, offering a broad range of innovative chemical and biological products for improving plant health, along with high-value seeds. It also provides extensive customer service to support modern, sustainable agriculture. A further focus is on non-agricultural</p>																								

		<p>applications.</p> <p>Bayer MaterialScience is a renowned supplier of high-tech polymers and develops innovative product solutions for a wide variety of everyday uses. Products holding leading positions on the world market account for a large proportion of its sales.</p>												
B.16	Major shareholders	To Bayer AG's knowledge, Bayer AG is not directly or indirectly owned or controlled by another corporation, by any government, or by any other natural or legal person severally or jointly, and there are no arrangements which may result in a change of control.												
B.17	Credit ratings of the Issuer or its debt securities	<table border="1"> <thead> <tr> <th></th> <th>Long-term rating</th> <th>Outlook</th> <th>Short-term rating</th> </tr> </thead> <tbody> <tr> <td>Standard & Poor's</td> <td>A-</td> <td>stable</td> <td>A-2</td> </tr> <tr> <td>Moody's</td> <td>A3</td> <td>stable</td> <td>P-2</td> </tr> </tbody> </table>		Long-term rating	Outlook	Short-term rating	Standard & Poor's	A-	stable	A-2	Moody's	A3	stable	P-2
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Standard & Poor's	A-	stable	A-2											
Moody's	A3	stable	P-2											

Element	Section C – The Notes	
C.1	Class and type of the Notes / ISIN	<p>EUR 1,300,000,000 subordinated notes subject to interest rate reset with a first call date on October 2, 2022 (the "Notes").</p> <p>ISIN DE000A14J611</p> <p>Common Code 121274043</p> <p>WKN A14J61</p>
C.2	Currency	The Notes are issued in Euro.
C.5	Restrictions on free Transferability	Not applicable. The Notes are freely transferable.
C.8	Rights attached to the Notes (including limitations to those rights and ranking of the Notes)	<p>Rights of the holders and the Issuer attached to the Notes</p> <p>The Notes entitle holders, in particular, to the interest payments described in Element C.9.</p> <p>Early Redemption</p> <p>The Issuer may redeem the Notes in whole but not in part at par on October 2, 2022 (the "First Call Date") and on any subsequent interest payment date.</p> <p>The Issuer may redeem the Notes in whole but not in part at any time upon the occurrence of the following redemption events: (i) a rating event, (ii) a tax deductibility event and (iii) a gross-up event. In case (i) the redemption event is a rating event or a tax deductibility event and (ii) the date fixed for redemption falls prior to the First Call Date, the early redemption amount to be paid shall be 101 percent of the specified denomination of the Notes to be redeemed early plus accrued, but unpaid interest and any outstanding arrears of interest. In case of a rating event or a tax deductibility event where the date fixed for redemption falls on or after the First Call Date or in case of a gross-up event the early redemption amount shall be 100 percent of the specified denomination of the Notes to be redeemed early plus accrued, but unpaid interest and any outstanding arrears of interest.</p> <p>The Issuer may redeem the Notes in whole but not in part at par at any time, if the Issuer has redeemed or purchased and cancelled at least 80 percent of the originally issued aggregate principal amount.</p> <p>Events of Default</p> <p>There are no events of default entitling holders to demand redemption of the Notes.</p> <p>Resolutions of Holders</p> <p>The Notes provide for resolutions of holders.</p> <p>Ranking of the Notes</p> <p>The Issuer's obligations under the Notes constitute unsecured obligations of the Issuer and, in the event of the winding-up, dissolution or liquidation of the Issuer rank:</p>

		<p>(i) senior only to the Junior Obligations,</p> <p>(ii) <i>pari passu</i> among themselves and with any Parity Obligations, and</p> <p>(iii) junior to all other present and future unsubordinated or subordinated obligations of the Issuer that are not Parity Obligations or Junior Obligations.</p> <p>"Junior Obligations" means</p> <p>(i) the ordinary shares of the Issuer,</p> <p>(ii) any present or future shares of any other class of shares of the Issuer ranking <i>pari passu</i> with the ordinary shares of the Issuer,</p> <p>(iii) any other present or future securities, registered securities or other instruments of the Issuer under which the Issuer's obligations rank or are expressed to rank <i>pari passu</i> with the ordinary shares of the Issuer, and</p> <p>(iv) any present or future security, registered security or other instrument which is issued by a Subsidiary and guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under such guarantee or other assumption of liability rank or are expressed to rank <i>pari passu</i> with the instruments described under (i) and (ii).</p> <p>"Parity Obligations" means any present or future obligations of the Issuer</p> <p>(i) under any securities, registered securities or other instruments of the Issuer which rank or are expressed to rank <i>pari passu</i> with the Issuer's obligations under the Notes, or</p> <p>(ii) under any guarantee or other assumption of liability by the Issuer for any present or future security, registered security or other instrument which is issued by a Subsidiary and guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under such guarantee or other assumption of liability rank or are expressed to rank <i>pari passu</i> with its obligations under the Notes,</p> <p>except for any subordinated obligations of the Issuer required to be preferred by mandatory provisions of law.</p> <p>For the avoidance of doubt, Parity Obligations include its unsecured subordinated notes due 2105 with a first call date in 2015, ISIN XS0225369403, the unsecured subordinated notes due 2075 with a first call date in 2020, ISIN DE000A11QR65 and the unsecured subordinated notes due 2074 with a first call date in 2024, ISIN DE000A11QR73.</p> <p>"Subsidiary" means any corporation, partnership or other enterprise in which the Issuer directly or indirectly holds in the aggregate more than 50 percent of the capital or the voting rights.</p> <p>Limitations</p> <p>Except for the possibility for the Issuer to defer interest payments, there are no limitations to the rights attached to the Notes.</p>
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C.9	see Element C.8	
	<p>Interest rate, interest commencement date, interest payment dates</p>	<p>Notes</p> <p>The Notes will bear interest on their principal amount (i) from and including April 2, 2015 to but excluding October 2, 2022 (the "First Call Date") at a rate of 2.375 percent <i>per annum</i> (first short coupon); (ii) from and including the First Call Date to but excluding October 2, 2027 (the "First Step-up Date") at the relevant 5-year swap rate for the relevant Reset Period plus a margin of 200.7 basis points <i>per annum</i>; (iii) from and including the First Step-up Date to but excluding October 2, 2042 (the "Second Step-up Date") at the relevant 5-year swap rate for the relevant Reset Period plus a margin of 225.7 basis points <i>per annum</i>; and (iv) from and including the Second Step-up Date to but excluding the Maturity Date at the relevant 5-year swap rate for the relevant Reset Period plus a margin of 300.7 basis points <i>per annum</i> (last short coupon).</p> <p>"Reset Date" means the First Call Date and each fifth anniversary of the First Call Date.</p> <p>"Reset Period" means each period from and including the First Call Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date.</p>
		<p><i>Optional coupon deferral</i></p> <p>The Issuer may at any time, by giving notice to the holders of the Notes no later than 10 business days before the relevant interest payment date, elect to defer the payment of the relevant interest amount scheduled to be paid on such interest payment date.</p> <p><i>Payment of outstanding amounts</i></p> <p>Arrears of interest may be paid by the Issuer at any time by giving notice not less than 10 business days before such voluntary payment and specifying (i) the amount of deferred interest payments to be paid and (ii) the date fixed for such payment.</p> <p>The Issuer must pay outstanding arrears of interest on the Notes (in whole but not in part) on the next Mandatory Settlement Date.</p> <p>"Mandatory Settlement Date" means the earliest of:</p> <ul style="list-style-type: none"> (i) the date falling five business days after the date on which a Compulsory Settlement Event has occurred; (ii) the date on which the Issuer pays interest on the Notes; (iii) the date on which the Issuer or any Subsidiary pays any dividend, other distribution or other payment in respect of any Parity Obligation; (iv) the date on which the Issuer or any Subsidiary redeems, repurchases or otherwise acquires (in each case directly or indirectly) any Parity Obligations or any Notes; (v) the date of redemption of the Notes in accordance with these Conditions; and (vi) the date on which an order is made for the winding up, liquidation or dissolution of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer),

		<p>provided that</p> <p>(x) in the cases (iii) and (iv) above no Mandatory Settlement Date occurs if the Issuer or the relevant Subsidiary is obliged under the terms and conditions of such Parity Obligation to make such payment, such redemption, such repurchase or such other acquisition;</p> <p>(y) in the case (iv) above no Mandatory Settlement Date occurs if the Issuer or the relevant Subsidiary repurchases or otherwise acquires (in each case directly or indirectly) any Parity Obligations or any Notes in whole or in part in a public tender offer or public exchange offer at a consideration per Parity Obligation or Note below its par value; and</p> <p>(z) in the cases (iii) and (iv) above no Mandatory Settlement Date occurs if the relevant payments on, or in respect of, any Parity Securities are Intra-Group Payments.</p>
		<p>"Compulsory Settlement Event" means any of the following events, subject to the provisos (x), (y) or (z) below:</p> <p>(i) the ordinary general meeting of shareholders (<i>ordentliche Hauptversammlung</i>) of the Issuer resolves on the payment of any dividend, other distribution or other payment on any share of any class of the Issuer (other than a dividend, distribution or payment which is made in the form of ordinary shares of the Issuer);</p> <p>(ii) the Issuer or any Subsidiary pays any dividend, other distribution or other payment in respect of any Junior Obligation (other than a dividend, distribution or payment which is made in the form of ordinary shares of the Issuer); or</p> <p>(iii) the Issuer or any Subsidiary redeems, repurchases or otherwise acquires (in each case directly or indirectly) any Junior Obligation.</p> <p>The cases (ii) and (iii) above are subject to the proviso that no Compulsory Settlement Event occurs if</p> <p>(x) the Issuer or the relevant Subsidiary is obliged under the terms and conditions of such Junior Obligation to make such payment, such redemption, such repurchase or such other acquisition;</p> <p>(y) the Issuer or the relevant Subsidiary repurchases or otherwise acquires (in each case directly or indirectly) any share of any class of the Issuer or any Junior Obligation pursuant to the obligations of the Issuer under any existing or future stock option or stock ownership programme or similar programme for any members of the board of management or supervisory board (or, in the case of affiliates, comparable boards) or employees of the Issuer or any of its affiliates; or</p> <p>(z) the relevant payments on, or in respect of, any Junior Obligation are Intra-Group Payments.</p> <p>"Intra-Group Payments" means payments made exclusively to the Issuer and/or one or more of its Subsidiaries.</p>

	Maturity date including repayment procedures	Maturity Date for the Notes is April 2, 2075. Payment of principal in respect of Notes shall be made to the clearing system or to its order for credit to the accounts of the relevant account holders of the clearing system.
	Indication of yield	The yield in respect of the Notes from the issue date to the First Call Date is 2.45 percent <i>per annum</i>
	Representation of the holders	The Notes are subject to the German Act on Issues of Debt Securities (<i>Gesetz über Schuldverschreibungen aus Gesamtemissionen — Schuldverschreibungsgesetz</i>). A common representative of the holders can be appointed.
C.10	see Element C.9	
	Explanation how the value of the investment is affected in the case the Notes have a derivative component	Not applicable. The interest payment has no derivative component.
C.11	Admission to trading on a regulated market or equivalent market	Application has been made for the Notes to be listed on the official list of the Luxembourg Stock Exchange and to be admitted to trading on the regulated market of the Luxembourg Stock Exchange.

Element	Section D – Risks specific to Bayer	
D.2	<p>Key information on the key risks that are specific to the Issuer</p>	<p>As a global enterprise with a diversified portfolio, the Bayer Group is constantly exposed to numerous risks.</p> <ul style="list-style-type: none"> • Despite all efforts, Bayer cannot assure that all of the products it is currently developing or will develop in the future will achieve planned approval / registration or commercial success, if, for example, a drug candidate fails to meet trial endpoints. • A large proportion of Bayer's products, especially in the Life Science businesses, is protected by patents. Generic manufacturers and others attempt to contest patents prior to their expiration. Sometimes a generic version of a product may even be launched "at-risk" prior to the issuance of a final patent decision. Bayer is currently involved in legal proceedings to enforce patent rights relating to its products. When a patent defense is unsuccessful, or if one of Bayer's patents expires, prices are likely to come under pressure because of increased competition from generic products entering the market. • Despite extensive studies prior to approval or registration, it is possible that products could be partially or completely withdrawn from the market due to the occurrence of adverse side effects or other factors. Such a withdrawal may be voluntary or result from legal or regulatory measures. The possibility that unwanted trace amounts of genetically modified organisms may occur in agricultural products and / or foodstuffs cannot be entirely excluded. Potential payments of damages in connection with the aforementioned risks may materially diminish Bayer's earnings. • Operations at Bayer's sites may be disrupted, amongst others, by natural disasters, sabotage or supply shortages for principal raw materials or intermediates. This applies particularly to the biotech products of HealthCare because of the highly complex manufacturing processes. If Bayer is unable to meet demand, structural sales declines may occur, particularly in Bayer's Pharmaceuticals business.

Element	Section D – Risks specific to the Notes	
D.3	<p>Key information on the key risks that are specific to the securities</p>	<p>An investment in the Notes involves certain risks associated with the characteristics of the Notes which could lead to substantial losses the holders would have to bear in the case of selling their Notes or with regard to receiving interest payments and repayment of principal. Those risks include the following:</p> <ul style="list-style-type: none"> • The Notes may not be a suitable investment for all investors. • The Notes will be redeemed on April 2, 2075. The Issuer is under no obligation to redeem the Notes at any time before this date and the holders have no right to call for their redemption. At the Issuer's option, the Notes may be redeemed (i) on the First Call Date or any interest payment date thereafter or (ii) if as a consequence of a change in law it has to pay any additional amounts with respect to taxation or (iii) if 80 percent or more in principal amount of the Notes initially issued have been redeemed or purchased and cancelled. In addition, the Issuer may redeem the Notes if (i) interest payable in respect of the Notes is no longer fully income tax deductible, or (ii) certain rating agencies determine to no longer grant "equity credit" or a lower such credit to the Notes. In the case of redemption, holders might suffer a lower than expected yield, might not be able to reinvest the funds on the same term and may receive a redemption amount lower than the prevailing market price of the subordinated notes. • The claims of holders are unsecured, subordinated obligations of the Issuer. • The conditions do not contain any express event of default or cross default provisions. • The Notes do not contain any financial covenants. • The holders have no voting rights in general meetings of the Issuer. • The holders will have only limited remedies against the Issuer for recovery of amounts which have become due in respect of the Notes. • There is no restriction on the amount of debt which the Issuer may issue ranking equal or senior to the obligations under or in connection with the Notes. • Application has been made for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the official list. However, there can be no assurance that a liquid secondary market for the Notes will develop. Moreover, the trading market for Notes may be volatile. • There is a risk that trading in the Notes will be suspended, interrupted or terminated. • During the period from including the interest commencement date to but excluding the First Call Date, it cannot be ruled out that the price of the Notes may fall as a result of changes in the current interest rate on the capital market (market interest rate), as the market interest rate fluctuates. • After the First Call Date, investors should be aware that the

		<p>interest rate will be determined on each reset rate determination date at the 5-year swap rate for the relevant reset period plus a margin. The performance of the 5-year swap rate and the interest income on the Notes cannot be anticipated and a definite yield of the Notes cannot be determined. In addition, during each reset period, it cannot be ruled out that the price of the Notes may fall as a result of changes in the current interest rate on the capital market (market interest rate), as the market interest rate fluctuates.</p> <ul style="list-style-type: none"> • The Issuer may elect to defer an interest payment. Any such deferral of interest shall not constitute a default for any purpose and deferred interest will not bear interest. Any deferral of interest will likely have an adverse effect on the market price of the Notes. • Ratings of the Issuer or the Notes may be subject to change at all times and are not a recommendation to buy, sell or hold Notes. • The Notes are denominated in Euro and can thus represent a currency risk for a holder, if the Euro represents a foreign currency to such holder; in addition governments and monetary authorities could impose exchange controls in the future. • Because the global notes are held by or on behalf of Clearstream, Frankfurt, investors will have to rely on their procedures for transfer, payment and communication with the Issuer. • Holders are subject to the risk of being outvoted and of losing rights towards the Issuer against their will in the case that holders agree to amendments of the conditions by majority vote according to the German Act on Issues of Debt Securities (<i>Gesetz über die Schuldverschreibungen aus Gesamtemissionen</i>). In the case of an appointment of a common representative for all holders a particular holder may lose, in whole or in part, the possibility to enforce and claim its rights against the Issuer regardless of other holders. • Investors in the Notes assume the risk that the credit spread of the Issuer changes (credit spread risk). • Due to future money depreciation (inflation), the real yield of an investment may be reduced. • The tax impact of an investment in the Notes should be carefully considered. • If a loan is used to finance the acquisition of the Notes, the loan may significantly increase the risk of a loss. • Incidental costs related in particular to the purchase and sale of the Notes may have a significant impact on the profit potential of the Notes. • Payments on the Notes issued by the Issuer may be subject to U.S. withholding tax pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "FATCA").
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Element	Section E – Offer of the Notes	
E.2b	Reasons for the offer and use of proceeds when different from making profit and/or hedging certain risks	The net proceeds of the issuance of the Notes, amounting to approximately EUR 1,287,637,000, will be used for general corporate purposes.
E.3	A description of the terms and conditions of the offer	<p>The Notes have been placed with qualified investors only. There will be no public offer of the Notes.</p> <p>The issue price of the Notes is 99.499 percent of their principal amount.</p> <p>The aggregate principal amount of the Notes is EUR 1,300,000,000.</p>
E.4	Any interest that is material to the issue/offer including conflicting interests	Not applicable. No interest that is material to the issue or offer of the Notes exists.
E.7	Estimated expenses charged to the investor by the issuer or the offeror	Not applicable; the Issuer will not charge any costs, expenses or taxes directly to any investor in connection with the Notes. Each investor has however to inform itself about taxes or expenses it may be subject to, e.g. deposit fees.

RISK FACTORS

The following is a disclosure of risk factors that are material to the Notes issued in order to assess the market risk associated with these Notes and risk factors that may affect the Issuer's ability to fulfil its obligations under the Notes. Prospective investors should consider these risk factors before deciding to purchase Notes issued under this Prospectus. Prospective investors should consider all information provided in this Prospectus and consult with their own professional advisers if they consider it necessary. In addition, investors should be aware that the risks described may combine and thus intensify one another.

Risk Factors in respect of Bayer

As a global enterprise with a diversified portfolio, the Bayer Group is constantly exposed to a wide range of internal or external developments or events that could significantly impact the achievement of its financial and non-financial objectives.

The sequence in which the risks are listed does not imply any order of significance. The risks described apply to all subgroups unless otherwise indicated.

Business Environment

Ethical conduct is a matter of essential importance for society. Many stakeholders evaluate companies according to whether they conduct themselves not just "legally," – but also "legitimately." The Bayer Group is dedicated to sustainable development in all areas of its commercial activity. Any violations of this voluntary commitment can result in adverse media reporting and thus lead to a negative public perception of the Bayer Group.

Bayer's growth could be impeded by increasing global cost pressure on health systems. Pharmaceutical products are subject to regulatory price controls and regulations in many markets, and government reimbursement systems often favor less expensive generic medicines over branded products. In addition, in some markets, major suppliers in the health care sector can exert substantial pressure on prices. Price controls and pricing pressure reduce earnings from Bayer's pharmaceutical products and may occasionally make the market launch of a new product unprofitable.

According to Bayer's assessment the current extent of regulatory controls and market pressures on pricing will persist or increase. Changes with respect to price development and governmental price controls in Bayer's key markets are continuously monitored. Depending on the intensity of such price controls and the pressure on prices, it could be necessary to adjust Bayer's business model.

In some countries the marketing rights for certain pharmaceutical products are held by third parties. An inadequate performance by collaboration partners could adversely affect the development of Bayer's sales and costs.

Where macroeconomic developments deviate from forecasts, this may negatively impact Bayer's sales and earnings expectations.

For MaterialScience, an economic downturn, changes in competitors' behavior or the market entry of new competitors can lead to a more intense competitive situation characterized by overcapacities and increased pressure on prices.

Innovation

Bayer cannot assure that all of the products it is currently developing or will develop in the future will achieve planned approval / registration or commercial success. For example, a drug candidate may fail to meet trial endpoints. Furthermore, the expectations of the public and the regulatory authorities with regard to the safety and efficacy of chemical and pharmaceutical products are constantly rising. Against this background, Bayer continues to anticipate increasing regulatory requirements for clinical or (eco)toxicological studies, for example. This increases product development costs and the time it takes to obtain registration or marketing approval.

Where it appears strategically advantageous, Bayer may supplement its organic growth by acquiring companies or parts of companies. Failure to successfully integrate a newly acquired business or unexpectedly high integration costs could jeopardize the achievement of qualitative or quantitative targets and adversely impact earnings.

Patent Protection

A large proportion of Bayer's products, especially in the Life Science businesses, is covered by patents. Generic manufacturers, in particular, attempt to contest patents prior to their expiration. Sometimes a generic version of a product may even be launched "at risk" prior to the issuance of a final patent decision. Bayer is currently involved in legal proceedings to enforce patent protection for its products. For details of these proceedings, see also "*Bayer AG – Governmental, legal and arbitration proceedings*". When a patent defense is unsuccessful, or if one of Bayer's patents expires, prices are likely to come under pressure because of increased competition from generic products entering the market. Legal action by third parties for alleged infringement of patent or proprietary rights by Bayer may impede or even halt the development or manufacturing of certain products or require Bayer to pay monetary damages or royalties to third parties.

Products and Product Stewardship

Despite extensive studies prior to approval or registration, it is possible that products could be partially or completely withdrawn from the market due to the occurrence of unexpected side effects or other factors. Such a withdrawal may be voluntary or result from legal or regulatory measures. Furthermore, the occurrence of traces of unwanted genetically modified organisms in agricultural products and / or food cannot be entirely excluded. Potential payments of damages in connection with the above risks may have a substantial negative impact on Bayer's earnings.

Another risk Bayer faces is that of illegal trading of counterfeit medicines and crop protection products by criminal third parties. In most cases, the composition and / or the quality of counterfeit products do not correspond to those of the original products. In addition, the fact that no local regulatory authority is involved in assuring the quality of the manufacturing or distribution process precludes any official product recall. Products originating from illegal third-party manufacturing not only endanger patients, users, animals and the environment, but also jeopardize the good reputation of Bayer and its products and undermine Bayer's competitive position.

Procurement and Production

Bayer's Supplier Code of Conduct requires that its suppliers observe environmental regulations as well as occupational health and safety rules, respect human rights and therefore not employ child labor in any form. Violations of the Code may harm Bayer's reputation.

The Bayer Group requires significant quantities of energy and petrochemical feedstocks for its production processes. Procurement prices for energy and raw materials may fluctuate significantly. Experience has shown that higher production costs cannot always be passed on to customers through price adjustments. This applies especially to MaterialScience.

Risks associated with the manufacturing, filling, storage or shipping of products may result in personal injury, property and environmental damage, loss of production, business interruptions and / or liability for compensation payments.

Operations at Bayer's sites may be disrupted by natural disasters, fires or explosions, sabotage or supply shortages for principal raw materials or intermediates. This applies particularly to the production of active ingredients and to the biotechnological products of HealthCare in view of the highly complex manufacturing processes involved. If Bayer is unable to meet demand, sales may undergo a structural decline, particularly in Bayer's Pharmaceuticals business.

Employees

If Bayer is unable to recruit a sufficient number of highly qualified personnel and retain them within Bayer, this could have significant adverse consequences for Bayer's future development.

Information Technology

A significant technical disruption or failure of IT systems could severely impair Bayer's business and production processes.

The confidentiality of internal and external data is of fundamental importance to Bayer. A loss of data confidentiality, integrity or authenticity could lead to manipulation and / or the uncontrolled outflow of data and

expertise.

Law and Compliance

The Bayer Group is exposed to numerous risks from legal disputes or proceedings to which it is currently a party or which could arise in the future, particularly in the areas of product liability, competition and antitrust law, patent law, tax law and environmental protection.

Investigations of possible legal or regulatory violations, such as potential infringements of antitrust law or certain marketing and / or distribution methods, may result in the imposition of civil or criminal penalties – including substantial monetary fines – and / or other adverse financial consequences, harm Bayer's reputation and ultimately hamper its commercial success.

Liquidity Risks

Liquidity risks result from the possible inability of the Bayer Group to meet current or future payment obligations due to a lack of cash or cash equivalents.

Credit Risks

Credit risks arise from the possibility that the value of receivables or other financial assets of the Bayer Group may be impaired because counterparties cannot meet their payment or other performance obligations. The Bayer Group does not conclude master netting arrangements with its customers for non-derivative financial instruments. Here, the total value of the financial assets represents the maximum credit risk exposure. In the case of derivatives, positive and negative market values may be netted under certain conditions.

Foreign Currency Risks

Foreign currency risks for the Bayer Group result from changes in exchange rates and the related changes in the value of financial instruments (including receivables and payables) and of anticipated payment receipts and disbursements in the functional currency.

Interest Rate Risks

Interest-rate risks result for the Bayer Group through changes in capital market interest rates, which in turn could lead to changes in the fair value of fixed-rate financial instruments and changes in interest payments in the case of floating-rate instruments.

Risk to Pension Obligations from Capital Market Developments

Changes in relevant measurement parameters such as interest rates, mortality and salary increase rates may raise the present value of Bayer's pension obligations. This may lead to increased costs for pension plans or diminish equity due to actuarial losses being recognized as other comprehensive income in the statement of comprehensive income. A large proportion of Bayer's pension and other post-employment benefit obligations is covered by plan assets including fixed-income securities, shares, real estate and other investments. Declining or even negative returns on these investments may adversely affect the future fair value of plan assets. Both these effects may negatively impact the development of equity and / or Bayer's earnings and / or may necessitate additional payments by Bayer.

Risk Factors in respect of the Notes

An investment in the Notes involves certain risks associated with the characteristics of the Notes. Such risks could result in principal or interest not being paid on time or at all by the Issuer and/or a material impairment of the market price of the Notes. The following is a description of risk factors in relation to the Notes.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes, and the information contained or incorporated by reference in this Prospectus;
- have access to and knowledge of appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviors of any relevant indices and financial markets;
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- recognize that it may not be possible to dispose of the Notes for a substantial period of time or at all.

Long-term securities; Holders are subject to risks relating to the early redemption of the Notes.

The Notes will be redeemed on April 2, 2075. The Issuer is under no obligation to redeem the Notes at any time before this date and the Holders have no right to call for their redemption. At the Issuer's option, the Notes may be redeemed at 100% of the principal amount plus accrued and unpaid interest and any Arrears of Interest pursuant to the Conditions, (i) on the first call date or any Interest Payment Date thereafter, (ii) if as a consequence of a change in law it has to pay any additional amounts with respect to taxation or (iii) if 80% or more in principal amount of Notes initially issued has been redeemed or repurchased.

In addition, the Issuer may at its option redeem the Notes at 101% of the principal amount plus accrued and unpaid interest and any Arrears of Interest pursuant to the Conditions, if (i) interest payable in respect of the Notes is no longer fully income tax deductible, in particular due to a change in law (including future tax legislation or initiatives, if any, which may affect the Notes) or the official interpretation thereof, or (ii) Moody's and / or S&P determine to no longer grant the same or higher category of "equity credit" to the Notes as a result of an amendment, clarification or change to the equity credit criteria of such rating agency.

In the case of redemption, Holders might suffer a lower than expected yield and might not be able to reinvest the funds on the same terms. Moreover, the redemption amount in the event of a redemption may be lower than the prevailing market price of the Notes.

The Notes are subordinated to senior obligations of the Issuer.

The obligations of the Issuer under the Notes will be unsecured subordinated obligations of the Issuer which in an insolvency or liquidation of the Issuer rank *pari passu* among themselves and with certain other obligations of the Issuer, subordinated to all present and future unsubordinated and subordinated obligations (other than subordinated obligations expressed to rank *pari passu* to the Notes) of the Issuer and senior only to the Issuer's share capital and similar present or future instruments. According to the Conditions, in an insolvency or liquidation of the Issuer, no payments under the Notes will be made to the Holders unless the Issuer has discharged or secured in full (i.e. not only with a quota) all claims that rank senior to the Notes. In a liquidation, insolvency or any other proceeding for the avoidance of insolvency of the Issuer, the Holders may recover

proportionately less than the Holders of unsubordinated or subordinated obligations of the Issuer or may recover nothing at all. Investors should take into consideration that liabilities ranking senior to the Notes may also arise out of events that are not reflected on the Issuer's balance sheet, including, without limitation, the issuance of guarantees or other payment undertakings. Claims of beneficiaries under such guarantees or other payment undertakings will, in liquidation or insolvency proceedings of the Issuer, become unsubordinated or subordinated liabilities and will therefore be paid in full before payments are made to Holders.

The Notes do not include express events of default or a cross default.

The Holders should be aware that the Conditions do not contain any express event of default provisions. There will also not be any cross default under the Notes.

The Notes do not contain any financial covenants.

The Issuer will not be restricted from incurring additional unsecured debt or other liabilities, including senior debt under the terms of the Notes. In addition, under the Notes, the Issuer will not be restricted from paying dividends or issuing or repurchasing its other securities. Holders will not be protected under the terms of the Notes in the event of a highly leveraged transaction, a reorganization or a restructuring, merger or similar transaction that may adversely affect Holders.

The Holders have no voting rights.

The Notes are non-voting with respect to general meetings of the Issuer. Consequently, the Holders cannot influence any decisions by the Issuer to defer interest payments or to optionally settle such Arrears of Interest or any other decisions by the Issuer's shareholders concerning the capital structure or any other matters relating to the Issuer.

The Holders' only remedy against the Issuer is the institution of legal proceedings to enforce payment or to file an application for insolvency proceedings.

The only remedy against the Issuer available to the Holders for recovery of amounts which have become due in respect of the Notes will be the institution of legal proceedings to enforce payment of the amounts or to file an application for the institution of insolvency proceedings. On an insolvency or liquidation of the Issuer, any holder may only declare its Notes due and payable and may claim the amounts due and payable under the Notes, after the Issuer has discharged or secured in full (i.e. not only with a quota) all claims that rank senior to the Notes.

No limitation on issuing further debt ranking senior or pari passu with the Notes.

There is no restriction on the amount of debt which the Issuer may issue ranking senior or equal to the obligations under or in connection with the Notes. Such issuance of further debt would reduce the amount recoverable by the holders upon insolvency or liquidation of the Issuer or may increase the likelihood that the Issuer is required or permitted to defer payments of interest under the Notes.

The Notes have not been admitted to trading and any trading market may be volatile.

There is currently no secondary market for the Notes. Application has been made for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange. There can, however, be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. In an illiquid market, an investor may not be able to sell his Notes at any time at fair market prices. The ability of Holders to sell the Notes might also be restricted for country-specific reasons.

Moreover, the trading market for the Notes may be volatile and can be adversely impacted by many events. The market for the Notes may be influenced by economic and market conditions in Germany or Luxembourg and, to varying degrees, by market conditions, interest rates, currency exchange rates and inflation rates in other European and other industrialized countries. There can be no assurance that events in Luxembourg, Germany, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have other adverse effects.

There is a risk that trading in the Notes will be suspended, interrupted or terminated.

The listing of the Notes may be suspended or interrupted by the Luxembourg Stock Exchange or a competent regulatory authority for any of a number of reasons, including violation of price limits, breach of statutory provisions, occurrence of operational problems of the stock exchange or generally if deemed required in order to secure a functioning market or to safeguard the interests of investors. Furthermore, trading in the Notes may be terminated, either upon decision of the stock exchange, a regulatory authority or upon application by the Issuer. Investors should note that the Issuer has no influence on trading suspension or interruptions (other than where trading in the Notes is terminated upon the Issuer's decision) and that investors in any event must bear the risks connected therewith. In particular, investors may not be able to sell their Notes where trading is suspended, interrupted or terminated, and the stock exchange quotations of such Notes may not adequately reflect the price of such Notes. Finally, even if trading in the Notes is suspended, interrupted or terminated, investors should note that such measures may neither be sufficient nor adequate nor in time to prevent price disruptions or to safeguard the investors' interests; for example, where trading in the Notes is suspended after price-sensitive information relating to such Notes has been published, the price of such Notes may already have been adversely affected. All these risks would, if they materialize, have a material adverse effect on the investors.

The Holders are exposed to risks relating to the fixed interest notes.

The Notes bears interest at a fixed rate to but excluding the first call date of Notes. A holder of a fixed interest rate note is exposed to the risk that the price of such note may fall because of changes in the market interest rate. While the nominal interest rate of a fixed interest rate note is fixed during the life of such note or during a certain period of time, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. If the market interest rate changes, the price of such bond changes in the opposite direction. If the market interest rate increases, the price of such note typically falls, until the yield of such note is approximately equal to the market interest rate. If the market interest rate falls, the price of a fixed interest rate note typically increases, until the yield of such bond is approximately equal to the market interest rate. Holders should be aware that movements of the market interest rate can adversely affect the market price of the Notes and can lead to losses for Holders if they sell their Notes.

The Holders are exposed to risks relating to the reset of interest rates linked to the 5-year swap rate.

From and including the first call date to but excluding the date on which the Issuer redeems the Notes in whole, the Notes bear interest at a rate which will be determined on each reset date at the 5-year swap rate for the relevant reset period plus a margin.

Investors should be aware that the performance of the 5-year swap rate and the interest income on the Notes cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of the Notes at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. In addition, after interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

Furthermore, during each reset period, it cannot be ruled out that the price of the Notes may fall as a result of changes in the current interest rate on the capital market (market interest rate), as the market interest rate fluctuates. During each of these periods, the investor is exposed to the risk as described under "—Fixed interest notes".

Interest payments under the Notes may be deferred at the option of the Issuer.

Holder should be aware that interest may not be due and payable (*fällig*) on the scheduled Interest Payment Date, and that the payment of the resulting Arrears of Interest is subject to certain further conditions. Failure to pay interest as a result of an interest deferral will not constitute a default of the Issuer or a breach of any other obligations under the Notes or for any other purposes. Holders will not receive any additional interest or compensation for the deferral of payment. In particular, the resulting Arrears of Interest will not bear interest.

Ratings of the Issuer or the Notes may be subject to change at all times.

A rating of the Issuer may not adequately reflect all risks of the investment in Notes issued by the Issuer. Equally, ratings may be suspended, downgraded or withdrawn. Such suspension, downgrading or withdrawal may have an adverse effect on the market value and trading price of the Notes. One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. Rating agencies may also change their methodologies for rating securities with features similar to the Notes in the future.

If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Notes were to be subsequently lowered, this may have a negative impact on the trading price of the Notes.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

For Holders for which the Euro represents a foreign currency, the Notes expose them to currency risk.

The Notes are denominated in Euro. If such currency represents a foreign currency to a holder, such holder is particularly exposed to the risk of changes in currency exchange rates which may affect the yield of such Notes measured in the holder's currency. Changes in currency exchange rates result from various factors such as macroeconomic factors, speculative transactions and interventions by central banks and governments.

In addition, government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable currency exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Because the global notes are held by or on behalf of Clearstream, Frankfurt, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Notes will be represented by one or more global notes. Such global notes will be deposited with a common depository for Clearstream, Frankfurt. Investors will not be entitled to receive definitive notes. Clearstream, Frankfurt will maintain records of the beneficial interests in the global notes. While the Notes are represented by one or more global notes, investors will be able to trade their beneficial interests only through Clearstream, Frankfurt and the Issuer will discharge its payment obligations under the Notes by making payments to the common depository for Clearstream, Frankfurt for distribution to their account holders. A holder of a beneficial interest in global notes must rely on the procedures of Clearstream, Frankfurt to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of beneficial interests in, the global notes.

Risks in connection with the application of the German Act on Issues of Debt Securities (Gesetz über Schuldverschreibungen aus Gesamtemissionen).

A Holder is subject to the risk of being outvoted and of losing rights towards the Issuer against his will in the event that Holders agree pursuant to the Conditions to amendments of the Conditions by majority vote according to the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen*). In the event of an appointment of a common representative for all Holders a particular holder may lose, in whole or in part, the possibility to enforce and claim his rights against the Issuer regardless of other Holders.

Investors in the Notes assume the risk that the credit spread of the Issuer changes (credit spread risk).

A credit spread is the margin payable by the Issuer to the holder of a Note as a premium for the assumed credit risk of the Issuer. Credit spreads are offered and sold as premiums on current risk-free interest rates or as discounts on the price.

Factors influencing the credit spread include, among other things, the creditworthiness and rating of the Issuer, probability of default, recovery rate, remaining term to maturity of obligations under any collateralization or guarantee and declarations as to any preferred payment or subordination. The liquidity situation, the general level of interest rates, overall economic developments, and the currency, in which the relevant obligation is denominated may also have a positive or negative effect.

Investors are exposed to the risk that the credit spread of the Issuer widens, resulting in a decrease in the price of the Notes.

Due to future money depreciation (inflation), the real yield of an investment may be reduced.

Inflation risk describes the possibility that the value of assets such as the Notes or income therefrom will decrease as inflation reduces the purchasing power of a currency. Inflation causes the rate of return to decrease in value. If the inflation rate exceeds the interest paid on any Notes the yield on such Notes will become negative and investors will have to suffer a loss.

The tax impact of an investment in the Notes should be carefully considered.

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. Potential investors are advised not to rely upon the tax overview contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisers are in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the section "Taxation" of this Prospectus.

If a loan is used to finance the acquisition of the Notes, the loan may significantly increase the risk of a loss.

If a loan is used to finance the acquisition of the Notes by an investor and the Notes subsequently go into default, or if the trading price diminishes significantly, the investor may not only have to face a potential loss on its investment, but it will also have to repay the loan and pay interest thereon. A loan may significantly increase the risk of a loss. Investors should not assume that they will be able to repay the loan or pay interest thereon from the profits of a transaction in the Notes. Instead, investors should assess their financial situation prior to an investment, as to whether they are able to pay interest on the loan, repay the loan on demand, and that they may suffer losses instead of realizing gains.

Incidental costs related in particular to the purchase and sale of the Notes may have a significant impact on the profit potential of the Notes.

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) may be incurred in addition to the purchase or sale price of the Notes. These incidental costs may significantly reduce or eliminate any profit from holding the Notes. Credit institutions as a rule charge commissions which are either fixed minimum commissions or pro-rata commissions, depending on the order value. To the extent that additional - domestic or foreign - parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, investors may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of Notes (direct costs), investors must also take into account any follow-up costs (such as custody fees). Investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

Risks in certain circumstances payments on or with respect to the Notes may be subject to U.S. withholding tax under FATCA.

In certain circumstances payments made on or with respect to the Notes after 31 December 2016 may be subject to U.S. withholding tax under Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "**FATCA**"). This withholding does not apply to payments on Notes that are issued prior to the six month anniversary of the date on which the final regulations that define "foreign pass thru payments" are published, unless the Notes are "materially modified" after that date or are characterized as equity for U.S. federal income tax purposes.

Whilst the Notes are in global form and held within Clearstream, Frankfurt ("**CBF**"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by CBF (see U.S. Withholding Tax Under FATCA). However, FATCA may affect payments made to other clearing organizations, custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding.

CONDITIONS

§ 1

WÄHRUNG, STÜCKELUNG, FORM, BEGRIFFSBESTIMMUNGEN

(1) *Währung; Stückelung.* Diese Emission von Schuldverschreibungen (die "**Schuldverschreibungen**") der Bayer Aktiengesellschaft (die "**Emittentin**") wird in Euro (die "**festgelegte Währung**") im Gesamtnennbetrag von Euro 1.300.000.000 (in Worten: Euro eine Milliarde dreihundert Millionen) in Stückelungen von Euro 1.000 (die "**festgelegte Stückelung**") begeben.

(2) *Form.* Die Schuldverschreibungen lauten auf den Inhaber.

(3) *Vorläufige Globalurkunde — Austausch.*

(a) Die Schuldverschreibungen sind anfänglich durch eine vorläufige Globalurkunde (die "**vorläufige Globalurkunde**") ohne Zinsscheine verbrieft. Die vorläufige Globalurkunde wird gegen Schuldverschreibungen in den festgelegten Stückelungen, die durch eine Dauerglobalurkunde (die "**Dauerglobalurkunde**") ohne Zinsscheine verbrieft sind, ausgetauscht. Die vorläufige Globalurkunde und die Dauerglobalurkunde tragen jeweils die Unterschriften von zwei ordnungsgemäß bevollmächtigten Vertretern der Emittentin und sind jeweils von der Hauptzahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen. Einzelkunden und Zinsscheine werden nicht ausgegeben.

(b) Die vorläufige Globalurkunde wird frühestens an einem Tag (der "**Austauschtag**") gegen die Dauerglobalurkunde austauschbar, der 40 Tage nach dem Tag der Ausgabe der vorläufigen Globalurkunde liegt. Ein solcher Austausch soll nur nach Vorlage von Bescheinigungen gemäß U.S. Steuerrecht erfolgen, wonach der oder die wirtschaftlichen Eigentümer der durch die vorläufige Globalurkunde verbrieften Schuldverschreibungen keine U.S.-Personen sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten). Zinszahlungen auf durch eine vorläufige Globalurkunde verbrieften Schuldverschreibungen erfolgen erst nach Vorlage solcher Bescheinigungen. Eine gesonderte Bescheinigung ist hinsichtlich einer jeden solchen Zinszahlung erforderlich. Jede

§ 1

CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

(1) *Currency; Denomination.* This issue of notes (the "**Notes**") of Bayer Aktiengesellschaft (the "**Issuer**") is being issued in Euro (the "**Specified Currency**") in the aggregate principal amount of Euro 1,300,000,000 (in words: Euro one billion three hundred million) in denominations of Euro 1,000 (the "**Specified Denomination**").

(2) *Form.* The Notes are being issued in bearer form.

(3) *Temporary Global Note — Exchange.*

(a) The Notes are initially represented by a temporary global note (the "**Temporary Global Note**") without coupons. The Temporary Global Note will be exchangeable for Notes in Specified Denominations represented by a permanent global note (the "**Permanent Global Note**") without coupons. The Temporary Global Note and the Permanent Global Note shall each be signed by two authorized signatories of the Issuer and shall each be authenticated by or on behalf of the Principal Paying Agent. Definitive Notes and interest coupons will not be issued.

(b) The Temporary Global Note shall be exchangeable for the Permanent Global Note from a date (the "**Exchange Date**") 40 days after the date of issue of the Temporary Global Note. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person (other than certain financial institutions or certain persons holding Notes through such financial institutions) as required by U.S. tax law. Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the date of issue of the Temporary Global Note will be treated as a

Bescheinigung, die am oder nach dem 40. Tag nach dem Tag der Ausgabe der vorläufigen Globalurkunde eingeht, wird als ein Ersuchen behandelt, diese vorläufige Globalurkunde gemäß diesem § 1(3)(b) auszutauschen. Wertpapiere, die im Austausch für die vorläufige Globalurkunde geliefert werden, sind nur außerhalb der Vereinigten Staaten zu liefern (wie in § 6(3) definiert).

(4) *Clearing System.* Die die Schuldverschreibungen verbriefende Globalurkunde wird von einem oder im Namen eines Clearing Systems verwahrt, bis sämtliche Verbindlichkeiten der Emittentin aus den Schuldverschreibungen erfüllt sind. "**Clearing System**" bedeutet folgendes: Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Bundesrepublik Deutschland ("**CBF**").

(5) *Gläubiger von Schuldverschreibungen.* "**Gläubiger**" bezeichnet jeden Inhaber eines Miteigentumsanteils oder anderen treugeberischen oder eigenen Rechts an den Schuldverschreibungen.

§ 2 STATUS

(1) *Status.* Die Schuldverschreibungen begründen nicht besicherte Verbindlichkeiten der Emittentin, die im Fall der Abwicklung, Auflösung oder Liquidation der Emittentin:

- (i) nur Nachrangigen Verbindlichkeiten im Rang vorgehen,
- (ii) untereinander und mit jeder Gleichrangigen Verbindlichkeit im Rang gleich stehen, und
- (iii) allen anderen bestehenden und zukünftigen nachrangigen und nicht nachrangigen Verbindlichkeiten im Rang nachgehen, die nicht Gleichrangige Verbindlichkeiten oder Nachrangige Verbindlichkeiten sind.

"**Nachrangige Verbindlichkeiten**" bezeichnet

- (i) die Stammaktien der Emittentin,
- (ii) gegenwärtige oder zukünftige Aktien einer anderen Gattung von Aktien der Emittentin, die gleichrangig mit den Stammaktien der Emittentin sind,
- (iii) andere von der Emittentin begebene gegenwärtige oder zukünftige Wertpapiere, Namenswertpapiere oder andere Instrumente, bei denen die daraus folgenden Verbindlichkeiten der Emittentin mit den Stammaktien der Emittentin gleichrangig sind oder für die ausdrücklich ein Gleichrang festgelegt ist, und

request to exchange such Temporary Global Note pursuant to this § 1(3)(b). Any securities delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in § 6(3)).

(4) *Clearing System.* Each global note representing the Notes will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Notes have been satisfied. "**Clearing System**" means the following: Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Federal Republic of Germany ("**CBF**").

(5) *Holder of Notes.* "**Holder**" means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

§ 2 STATUS

(1) *Status.* The Issuer's obligations under the Notes constitute unsecured obligations of the Issuer and, in the event of the winding-up, dissolution or liquidation of the Issuer rank:

- (i) senior only to the Junior Obligations,
- (ii) *pari passu* among themselves and with any Parity Obligations, and
- (iii) junior to all other present and future unsubordinated or subordinated obligations of the Issuer that are not Parity Obligations or Junior Obligations.

"**Junior Obligations**" means

- (i) the ordinary shares of the Issuer,
- (ii) any present or future shares of any other class of shares of the Issuer ranking *pari passu* with the ordinary shares of the Issuer,
- (iii) any other present or future securities, registered securities or other instruments of the Issuer under which the Issuer's obligations rank or are expressed to rank *pari passu* with the ordinary shares of the Issuer, and

- (iv) jedes gegenwärtige oder zukünftige Wertpapier, Namenswertpapier oder jedes andere Instrument, das von einer Tochtergesellschaft begeben und von der Emittentin garantiert ist oder für das die Emittentin die Haftung übernommen hat, und bei dem die Verbindlichkeiten der Emittentin aus der maßgeblichen Garantie oder Haftungsübernahme mit den unter (i) und (ii) genannten Instrumenten gleichrangig sind oder für die ausdrücklich ein Gleichrang festgelegt ist.

"Gleichrangige Verbindlichkeiten" bezeichnet bestehende und zukünftige Verbindlichkeiten der Emittentin

- (i) aus Wertpapieren, Namenswertpapieren oder anderen von der Emittentin begebenen Instrumenten, die gleichrangig mit den Verbindlichkeiten der Emittentin unter den Schuldverschreibungen sind oder für die ausdrücklich ein Gleichrang festgelegt ist, oder
- (ii) aus einer Garantie oder anderen Haftungsübernahmen der Emittentin für ein gegenwärtiges oder zukünftiges Wertpapier, Namenswertpapier oder jedes andere Instrument, das von einer Tochtergesellschaft begeben und von der Emittentin garantiert ist oder für das die Emittentin die Haftung übernommen hat, und bei dem die Verbindlichkeiten der Emittentin aus der maßgeblichen Garantie oder Haftungsübernahme mit ihren Verbindlichkeiten aus den Schuldverschreibungen gleichrangig sind oder ausdrücklich ein Gleichrang festgelegt ist,

soweit nicht zwingende gesetzliche Bestimmungen solche anderen nachrangigen Verbindlichkeiten im Rang besser stellen.

Gleichrangige Verbindlichkeiten sind, unter anderem, die nicht besicherten nachrangigen Schuldverschreibungen fällig in 2105, erstmals kündbar in 2015, ISIN XS0225369403, die nicht besicherten nachrangigen Schuldverschreibungen fällig in 2075, erstmals kündbar in 2020, ISIN DE000A11QR65 und die nicht besicherten nachrangigen Schuldverschreibungen fällig in 2074, erstmals kündbar in 2024, ISIN DE000A11QR73.

"Tochtergesellschaft" bezeichnet jede Gesellschaft, Personengesellschaft und jedes sonstige Unternehmen oder jede andere Person an der bzw. dem die Emittentin direkt oder indirekt insgesamt mehr als 50 % des Kapitals oder der Stimmrechte hält.

- (iv) any present or future security, registered security or other instrument which is issued by a Subsidiary and guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under such guarantee or other assumption of liability rank or are expressed to rank *pari passu* with the instruments described under (i) and (ii).

"Parity Obligations" means any present or future obligations of the Issuer

- (i) under any securities, registered securities or other instruments of the Issuer which rank or are expressed to rank *pari passu* with the Issuer's obligations under the Notes, or
- (ii) under any guarantee or other assumption of liability by the Issuer for any present or future security, registered security or other instrument which is issued by a Subsidiary and guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under such guarantee or other assumption of liability rank or are expressed to rank *pari passu* with its obligations under the Notes,

except for any subordinated obligations of the Issuer required to be preferred by mandatory provisions of law.

For the avoidance of doubt, Parity Obligations include its unsecured subordinated notes due 2105 with a first call date in 2015, ISIN XS0225369403, the unsecured subordinated notes due 2075 with a first call date in 2020, ISIN DE000A11QR65 and the unsecured subordinated notes due 2074 with a first call date in 2024, ISIN DE000A11QR73.

"Subsidiary" means any corporation, partnership or other enterprise in which the Issuer directly or indirectly holds in the aggregate more than 50 percent of the capital or the voting rights.

(2) *Aufrechnungsverbot*. Die Gläubiger sind nicht berechtigt, Forderungen aus den Schuldverschreibungen gegen mögliche Forderungen der Emittentin aufzurechnen. Die Emittentin ist nicht berechtigt, Forderungen gegenüber Gläubigern gegen Verpflichtungen aus den Schuldverschreibungen aufzurechnen.

§ 3 ZINSEN

(1) *Zinslauf*. In dem Zeitraum ab dem 2. April 2015 (der "**Zinslaufbeginn**") (einschließlich) bis zum 2. Oktober 2022 (der "**Erste Rückzahlungstermin**") (ausschließlich) wird jede Schuldverschreibung bezogen auf die festgelegte Stückelung mit 2,375 % per annum verzinst.

In dem Zeitraum ab dem Ersten Rückzahlungstermin (einschließlich) bis zum Fälligkeitstag (ausschließlich) belaufen sich die Zinsen jeder Schuldverschreibung auf den jeweiligen Reset-Zinssatz.

Zinsen sind nachträglich am 2. Oktober eines jeden Jahres zur Zahlung vorgesehen, erstmals am 2. Oktober 2015 (kurze erste Zinsperiode) und, sofern nicht zuvor zurückgezahlt oder zurückgekauft, letztmals am Fälligkeitstag (wie in § 5(1) definiert) (kurze letzte Zinsperiode) (jeweils ein "**Zinszahlungstag**"), und werden gemäß § 4 fällig.

Der "**Reset-Zinssatz**" entspricht

- (i) ab dem Ersten Rückzahlungstermin (einschließlich) bis zum 2. Oktober 2027 (ausschließlich) (der "**Erste Step-up Termin**") dem Ersten Reset-Zinssatz;
- (ii) ab dem Ersten Step-up Termin (einschließlich) bis zum 2. Oktober 2042 (der "**Zweite Step-up Termin**") (ausschließlich) dem Zweiten Reset-Zinssatz; und
- (iii) ab dem Zweiten Step-up Termin (einschließlich) bis zum Fälligkeitstag (ausschließlich) dem Dritten Reset-Zinssatz.

Der "**Erste Reset-Zinssatz**" ist der 5-Jahres Swapsatz für den betreffenden Reset-Zeitraum zuzüglich 200,7 Basispunkte per annum, wie von der Berechnungsstelle festgelegt.

Der "**Zweite Reset-Zinssatz**" ist der 5-Jahres Swapsatz für den betreffenden Reset-Zeitraum zuzüglich 225,7 Basispunkte per annum, wie von der Berechnungsstelle festgelegt.

Der "**Dritte Reset-Zinssatz**" ist der 5-Jahres Swapsatz für den betreffenden Reset-Zeitraum zuzüglich 300,7 Basispunkte per annum, wie von der

(2) *Prohibition of Set-Off*. No Holder may set-off any claims arising under the Notes against any claims that the Issuer may have against it. The Issuer may not set-off any claims it may have against the Holders against any of its obligations under the Notes.

§ 3 INTEREST

(1) *Interest Accrual*. From and including April 2, 2015 (the "**Interest Commencement Date**") to but excluding October 2, 2022 (the "**First Call Date**"), each Note bears interest on its Specified Denomination at a rate of 2.375 percent *per annum*.

From and including the First Call Date to but excluding the Maturity Date, each Note bears interest on its Specified Denomination at the relevant Reset Rate of Interest.

Interest is scheduled to be paid annually in arrear on October 2 of each year, commencing on October 2, 2015 (short first interest period) and, unless previously redeemed or repurchased, for the last time on the Maturity Date (as defined in § 5(1)) (short last interest period) (each an "**Interest Payment Date**") and will fall due in accordance with § 4.

The "**Reset Rate of Interest**" will be

- (i) from and including the First Call Date to but excluding October 2, 2027 (the "**First Step-up Date**") the First Reset Interest Rate;
- (ii) from and including the First Step-up Date to but excluding October 2, 2042 (the "**Second Step-up Date**") the Second Reset Interest Rate; and
- (iii) from and including the Second Step-up Date to but excluding the Maturity Date the Third Reset Interest Rate.

The "**First Reset Interest Rate**" will be the 5-year Swap Rate for the relevant Reset Period plus 200.7 basis points *per annum*, as determined by the Calculation Agent.

The "**Second Reset Interest Rate**" will be the 5-year Swap Rate for the relevant Reset Period plus 225.7 basis points *per annum*, as determined by the Calculation Agent.

The "**Third Reset Interest Rate**" will be the 5-year Swap Rate for the relevant Reset Period plus 300.7 basis points *per annum*, as determined by the

Berechnungsstelle festgelegt.

(2) *Definitionen.*

Der "**5-Jahres Swapsatz**" für den betreffenden Reset-Zeitraum wird von der Berechnungsstelle an dem Reset-Referenzsatz-Bestimmungstag vor dem betreffenden Reset-Termin, an dem der betreffende Reset-Zeitraum beginnt (der "**Referenz-Reset-Termin**"), festgelegt und ist

- (i) das rechnerische Mittel der Geld- und Briefkurse für den jährlichen Festzinssatzstrom (berechnet auf einer 30/360 Tageberechnungsbasis) einer Fest-zu-variabel Euro-Zinsswaptransaktion, (x) die eine 5-jährige Laufzeit hat und am Referenz-Reset-Termin beginnt, (y) die auf einen Betrag lautet, der dem einer repräsentativen einzelnen Transaktion in dem relevanten Markt zur relevanten Zeit eines anerkannten Händlers mit guter Bonität im Swap-Markt entspricht, und (z) deren variabler Zahlungsstrom auf dem 6-Monats EURIBOR Satz beruht (berechnet auf einer Actual/360 Tage-Berechnungsbasis), wie es am Reset-Referenzsatz-Bestimmungstag um 11:00 Uhr (Frankfurter Zeit) auf dem Reuters Bildschirm "ISDAFIX2" unter der Überschrift "EURIBOR BASIS" und dem Untertitel "11:00 AM Frankfurt time" (auf dem solche Überschriften und Untertitel von Zeit zu Zeit erscheinen) (oder eine andere Bildschirmseite von Reuters oder einem anderen Informationsanbieter, die diese Seite zur Anzeige des in diesem Absatz beschriebenen rechnerischen Mittels von Swap-Transaktionen ersetzt) (die "**Reset-Bildschirmseite**") angezeigt wird; oder
- (ii) falls irgendeine für Alternative (i) benötigte Information am Reset-Referenzsatz-Bestimmungstag nicht auf der Reset-Bildschirmseite erscheint, der Reset-Referenzbankensatz am Reset-Referenzsatz-Bestimmungstag.

"**Geschäftstag**" bezeichnet einen Tag, an dem alle maßgeblichen Stellen des Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) Systems Geschäfte tätigen.

"**Referenzbanken**" bedeutet fünf im Interbankenmarkt führende Swap Dealer.

"**Repräsentative Höhe**" bedeutet die Höhe einer einzelnen Transaktion, die zur jeweiligen Zeit im Swap-Markt typisch ist.

"**Reset-Referenzbankensatz**" bezeichnet den Prozentsatz, der auf Basis der Midmarket Jahres-Swapsatz-Angebotssätze von den Referenzbanken um

Calculation Agent.

(2) *Definitions.*

The "**5-year Swap Rate**" for the relevant Reset Period will be determined by the Calculation Agent on the Reset Rate Determination Date prior to the relevant Reset Date on which the relevant Reset Period commences (the "**Reference Reset Date**") and will be

- (i) the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating Euro interest rate swap transaction which (x) has a term of 5 years and commencing on the Reference Reset Date, (y) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market, and (z) has a floating leg based on the 6-month EURIBOR rate (calculated on an Actual/360 day count basis), as such arithmetic mean appears on the Reuters screen "ISDAFIX2" under the heading "EURIBOR BASIS" and the caption "11:00 AM Frankfurt time" (as such headings and captions may appear from time to time) as of 11.00 a.m. (Frankfurt time) (or another screen page of Reuters or another information service, which is the successor to such Reuters screen for the purpose of displaying the arithmetic mean of swap transactions as described in this paragraph) (the "**Reset Screen Page**") on the Reset Rate Determination Date; or
- (ii) if any of the information required for the purposes of alternative (i) does not appear on the Reset Screen Page on the Reset Rate Determination Date, the Reset Reference Bank Rate on the Reset Rate Determination Date.

"**Business Day**" means a day on which all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) system are operational.

"**Reference Banks**" means five leading swap dealers in the interbank market.

"**Representative Amount**" means an amount that is representative for a single transaction in the swap market at the relevant time.

"**Reset Reference Bank Rate**" means a percentage determined on the basis of the midmarket annual swap rate quotations provided by the Reference Banks at

ungefähr 11:00 Uhr, Frankfurter Zeit, am Reset-Referenzsatz-Bestimmungstag festgestellt wird. Der Midmarket Jahres-Swapsatz ist der durch die Berechnungsstelle festgelegte Prozentsatz basierend auf dem rechnerischen Mittel des Geld- und Briefkurses für den Jahres-Festzinszahlungsstrom, berechnet auf Basis eines 30/360 Zinstagequotienten, einer Fest-zu-variabel Euro-Zinsswaptransaktion mit einer Laufzeit von 5 Jahren beginnend mit dem Referenz-Reset-Termin, die in einer Repräsentativen Höhe mit einem anerkannten Händler von guter Bonität im Swap-Markt abgeschlossen wurde, wobei der variable Teil, berechnet basierend auf einem Actual/360 Zinstagequotienten, eine Endfälligkeit von sechs Monaten hat. Die Berechnungsstelle wird bei der Hauptniederlassung der Referenzbanken jeweils um einen Angebotssatz bitten. Falls zumindest drei Angebotssätze zur Verfügung gestellt werden, ist der Reset-Referenzbankensatz für den Reset-Termin das rechnerische Mittel (falls erforderlich, auf- oder abgerundet auf das nächste Tausendstel Prozent, wobei 0,0005 aufgerundet wird) der Angebotssätze, bereinigt um den höchsten Angebotssatz (oder, falls mehrere Angebotssätze gleich hoch sind, einen der höchsten) und den niedrigsten Angebotssatz (oder, falls mehrere Angebotssätze gleich niedrig sind, einen der niedrigsten). Falls nur zwei oder weniger Angebotssätze zur Verfügung gestellt werden, und falls zum betreffenden Zeitpunkt die International Swaps and Derivatives Association, Inc. ("ISDA") eine Auffangregelung zur Bestimmung des Midmarket Jahres-Swapsatzes veröffentlicht hat, wird die Berechnungsstelle den Reset-Referenzbankensatz auf Basis dieser Auffangregelung berechnen. Falls die ISDA zum betreffenden Zeitpunkt keine solche Auffangregelung veröffentlicht hat, gilt Folgendes: Falls nur zwei Angebotssätze zur Verfügung gestellt werden, ist der Reset-Referenzbankensatz das rechnerische Mittel der zur Verfügung gestellten Angebotssätze. Falls nur ein Angebotssatz zur Verfügung gestellt wird, ist der Reset-Referenzbankensatz der zur Verfügung gestellte Angebotssatz. Falls keine Angebotssätze zur Verfügung gestellt werden, ist der Reset-Referenzbankensatz der letzte verfügbare Midmarket Jahres-Swapsatz-Angebotssatz für Euro-Zinsswaptransaktion mit einer Laufzeit von 5 Jahren, ausgedrückt auf jährlicher Basis, der auf der Reset-Bildschirmseite verfügbar war.

"Reset-Referenzsatz-Bestimmungstag" ist der zweite Geschäftstag vor dem jeweiligen Reset-Termin.

"Reset-Termin" bezeichnet den Ersten Rückzahlungstermin und jeden fünften Jahrestag des Ersten Rückzahlungstermins.

approximately 11:00 a.m., Frankfurt time on the Reset Rate Determination Date. For this purpose, the mid-market annual swap rate means the percentage rate determined by the Calculation Agent on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating Euro interest rate swap transaction with a term of 5 years commencing on that Reference Reset Date and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to a designated maturity of six months. The Calculation Agent will request the principal office of each of the Reference Banks to provide a quotation of its rate. If at least three quotations are provided, the Reset Reference Bank Rate for that Reset Date will be the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, and if the International Swaps and Derivatives Association, Inc. ("ISDA") has published a fallback provision for the determination of the midmarket annual swap rate at the relevant time, the Calculation Agent will determine the Reset Reference Bank Rate on the basis of such fallback provision. If the ISDA has not published such a fallback provision at the relevant time, the following shall apply: If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be the last available midmarket annual swap rate quotation for Euro interest rate swap transaction with a term of 5 years, expressed as an annual rate, on the Reset Screen Page.

"Reset Rate Determination Date" means the second Business Day prior to the relevant Reset Date.

"Reset Date" means the First Call Date and each fifth anniversary of the First Call Date.

"Reset-Zeitraum" bezeichnet jeden Zeitraum ab dem Ersten Rückzahlungstermin (einschließlich) bis zum ersten Reset-Termin (ausschließlich) und nachfolgend ab jedem Reset-Termin (einschließlich) bis zu dem jeweils nächstfolgenden Reset-Termin (ausschließlich).

"Zinsperiode" bezeichnet jeden Zeitraum ab dem Zinslaufbeginn (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) und nachfolgend ab jedem Zinszahlungstag (einschließlich) bis zu dem jeweils nächstfolgenden Zinszahlungstag (ausschließlich).

(3) *Berechnungen oder Festlegung durch die Berechnungsstelle.* Die Berechnungsstelle wird den Reset-Zinssatz für die Schuldverschreibungen am Reset-Referenzsatz-Bestimmungstag bestimmen und veranlassen, dass dieser der Emittentin, der Hauptzahlstelle und jeder Börse, an der die Schuldverschreibungen zu diesem Zeitpunkt notiert sind und deren Regeln eine Mitteilung an die Börse verlangen, sowie den Gläubigern gemäß § 13 unverzüglich, aber keinesfalls später als am achten auf dessen Bestimmung folgenden Geschäftstag mitgeteilt wird.

(4) *Zinstagequotient.* Sind Zinsen für einen Zeitraum zu berechnen, der kürzer als eine Zinsperiode ist oder einer Zinsperiode entspricht, so werden sie berechnet auf der Grundlage der Anzahl der Tage in dem betreffenden Zeitraum (ab dem ersten Tag, an dem Zinsen auflaufen (einschließlich) bis zu dem Tag, an dem die Zinsen fällig werden (ausschließlich)), dividiert durch die Anzahl der Tage in der Bezugsperiode, in die der betreffende Zeitraum fällt (Act/Act (ICMA)).

"Bezugsperiode" bezeichnet den Zeitraum ab einem Feststellungstermin (einschließlich) bis zum nächsten Feststellungstermin (ausschließlich).

"Feststellungstermin" bezeichnet jeden 2. Oktober. Die erste Bezugsperiode ist der Zeitraum ab dem 2. Oktober 2014 (einschließlich) bis zum 2. Oktober 2015 (ausschließlich). Die letzte Bezugsperiode ist der Zeitraum ab dem 2. Oktober 2074 (einschließlich) bis zum 2. Oktober 2075 (ausschließlich).

(5) *Zinslaufende.* Die Verzinsung der Schuldverschreibungen endet mit Beginn des Tages, an dem ihr Kapitalbetrag zur Rückzahlung fällig wird. Sollte die Emittentin eine Zahlung von Kapital auf die Schuldverschreibungen bei Fälligkeit nicht leisten, endet die Verzinsung der Schuldverschreibungen mit Beginn des Tages der tatsächlichen Zahlung. Der in einem solchen Fall jeweils anzuwendende Zinssatz wird gemäß § 3 bestimmt.

"Reset Period" means each period from and including the First Call Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date.

"Interest Period" means each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and thereafter from and including each Interest Payment Date to but excluding the next following Interest Payment Date.

(3) *Determination or Calculation by Calculation Agent.* The Calculation Agent will, on the Reset Rate Determination Date, determine the Reset Rate of Interest and cause the same to be notified to the Issuer, the Principal Paying Agent and, if required by the rules of any stock exchange on which the Notes are then listed, to such stock exchange, and to the Holders in accordance with § 13 without undue delay, but, in any case, not later than on the eighth Business Day after its determination.

(4) *Day Count Fraction.* Where interest is to be calculated in respect of any period of time that is equal to or shorter than an Interest Period, the interest will be calculated on the basis of the number of days elapsed in the relevant period (from and including the day from which interest begins to accrue to but excluding the day on which it falls due), divided by the number of days in the Reference Period in which the relevant period falls (Act/Act (ICMA)).

"Reference Period" means the period from a Determination Date (including) to the next Determination Date (excluding). **"Determination Date"** means each October 2. The first Reference Period shall be the period from October 2, 2014 (including) to October 2, 2015 (excluding). The last Reference Period shall be the period from October 2, 2074 (including) to October 2, 2075 (excluding).

(5) *Cessation of Interest Accrual.* The Notes will cease to bear interest from the beginning of the day their principal amount is due for repayment. If the Issuer fails to make any payment of principal under the Notes when due, the Notes will cease to bear interest from the beginning of the day on which such payment is actually made. In such case, the applicable rate of interest will be determined pursuant to this § 3.

§ 4
FÄLLIGKEIT VON ZINSZAHLUNGEN;
AUFSCHUB VON ZINSZAHLUNGEN;
ZAHLUNG AUFGESCHOBENER
ZINSZAHLUNGEN

(1) *Fälligkeit von Zinszahlungen; wahlweiser Zinsaufschub.* Zinsen, die während einer Zinsperiode auflaufen, werden an dem betreffenden Zinszahlungstag fällig, sofern sich die Emittentin nicht durch eine Bekanntmachung an die Gläubiger gemäß § 13 innerhalb einer Frist von nicht weniger als 10 Geschäftstagen vor dem betreffenden Zinszahlungstag dazu entscheidet, die betreffende Zinszahlung (insgesamt, jedoch nicht teilweise) auszusetzen.

Wenn sich die Emittentin an einem Zinszahlungstag zur Nichtzahlung aufgelaufener Zinsen entscheidet, dann ist sie nicht verpflichtet, an dem betreffenden Zinszahlungstag Zinsen zu zahlen. Diese sind Aufgeschobene Zinszahlungen. Eine Nichtzahlung von Zinsen aus diesem Grunde begründet keinen Verzug der Emittentin und keine anderweitige Verletzung ihrer Verpflichtungen aufgrund der Schuldverschreibungen oder für sonstige Zwecke.

Nach Maßgabe dieses § 4(1) nicht fällig gewordene Zinsen sind aufgeschobene Zinszahlungen ("**Aufgeschobene Zinszahlungen**").

Aufgeschobene Zinszahlungen werden nicht verzinst.

(2) *Freiwillige Zahlung von Aufgeschobenen Zinszahlungen.* Die Emittentin ist berechtigt, ausstehende Aufgeschobene Zinszahlungen jederzeit insgesamt, jedoch nicht teilweise, nach Bekanntmachung an die Gläubiger unter Einhaltung einer Frist von nicht weniger als 10 Geschäftstagen vor einer freiwilligen Zinszahlung zu zahlen, wobei eine solche Bekanntmachung (i) den Betrag an Aufgeschobenen Zinszahlungen, der gezahlt werden soll, und (ii) den für diese Zahlung festgelegten Termin enthalten muss.

(3) *Pflicht zur Zahlung von Aufgeschobenen Zinszahlungen.* Die Emittentin ist verpflichtet, Aufgeschobene Zinszahlungen insgesamt und nicht nur teilweise am nächsten Pflichtnachzahlungstag zu zahlen.

"**Pflichtnachzahlungstag**" bezeichnet den frühesten der folgenden Tage:

- (i) den Tag, der fünf Geschäftstage nach dem Tag liegt, an dem ein Obligatorisches Nachzahlungsereignis eingetreten ist;
- (ii) den Tag, an dem die Emittentin Zinsen auf die Schuldverschreibungen zahlt;

§ 4
DUE DATE FOR INTEREST PAYMENTS,
DEFERRAL OF INTEREST PAYMENTS,
PAYMENT OF ARREARS OF INTEREST

(1) *Due Date for Interest Payments; Optional Interest Deferral.* Interest which accrues during an Interest Period will be due and payable (*fällig*) on the relevant Interest Payment Date, unless the Issuer elects, by giving notice to the Holders not less than 10 Business Days prior the relevant Interest Payment Date in accordance with § 13, to defer the relevant payment of interest (in whole but not in part).

If the Issuer elects not to pay accrued interest on an Interest Payment Date, then it will not have any obligation to pay such interest on such Interest Payment Date and will constitute Arrears of Interest. Any such non-payment of interest will not constitute a default of the Issuer or any other breach of its obligations under the Notes or for any other purpose.

Interest not due and payable in accordance with this § 4(1) will constitute arrears of interest ("**Arrears of Interest**").

Arrears of Interest will not bear interest.

(2) *Optional Settlement of Arrears of Interest.* The Issuer will be entitled to pay outstanding Arrears of Interest (in whole but not in part) at any time by giving notice to the Holders not less than 10 Business Days before such voluntary payment and specifying (i) the amount of Arrears of Interest to be paid and (ii) the date fixed for such payment.

(3) *Mandatory Payment of Arrears of Interest.* The Issuer must pay outstanding Arrears of Interest (in whole but not in part) on the next Mandatory Settlement Date.

"**Mandatory Settlement Date**" means the earliest of:

- (i) the date falling five Business Days after the date on which a Compulsory Settlement Event has occurred;
- (ii) the date on which the Issuer pays interest on the Notes;

- | | | | |
|-------|---|-------|---|
| (iii) | den Tag, an dem die Emittentin oder eine Tochtergesellschaft eine Dividende, sonstige Ausschüttung oder sonstige Zahlung auf eine Gleichrangige Verbindlichkeit leistet; | (iii) | the date on which the Issuer or any Subsidiary pays any dividend, other distribution or other payment in respect of any Parity Obligation; |
| (iv) | den Tag, an dem die Emittentin oder eine Tochtergesellschaft eine Gleichrangige Verbindlichkeit oder eine Schuldverschreibung zurückzahlt, zurückkauft oder anderweitig erwirbt (jeweils direkt oder indirekt); | (iv) | the date on which the Issuer or any Subsidiary redeems, repurchases or otherwise acquires (in each case directly or indirectly) any Parity Obligations or any Notes; |
| (v) | den Tag der Rückzahlung der Schuldverschreibungen gemäß diesen Bedingungen; und | (v) | the date of redemption of the Notes in accordance with these Conditions; and |
| (vi) | den Tag, an dem eine Entscheidung hinsichtlich der Auseinandersetzung, Liquidation oder Auflösung der Emittentin ergeht (sofern dies nicht für die Zwecke oder als Folge eines Zusammenschlusses, einer Umstrukturierung oder Sanierung geschieht, bei dem bzw. bei der die Emittentin noch zahlungsfähig ist und bei dem bzw. bei der die fortführende Gesellschaft im Wesentlichen alle Vermögenswerte und Verpflichtungen der Emittentin übernimmt), | (vi) | the date on which an order is made for the winding up, liquidation or dissolution of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer), |

mit der Maßgabe, dass

- (x) in den vorgenannten Fällen (iii) und (iv) kein Pflichtnachzahlungstag vorliegt, wenn die Emittentin oder die betreffende Tochtergesellschaft nach Maßgabe der Emissionsbedingungen der betreffenden Gleichrangigen Verbindlichkeit zu der Zahlung, zu der Rückzahlung, zu dem Rückkauf oder zu dem anderweitigen Erwerb verpflichtet ist;
- (y) in dem vorgenannten Fall (iv) kein Pflichtnachzahlungstag vorliegt, wenn die Emittentin oder die betreffende Tochtergesellschaft (jeweils direkt oder indirekt) Gleichrangige Verbindlichkeiten oder Schuldverschreibungen (insgesamt oder teilweise) nach einem öffentlichen Rückkaufangebot oder öffentlichen Umtauschangebot mit einer unter dem Nennwert liegenden Gegenleistung je Gleichrangiger Verbindlichkeit bzw. je Schuldverschreibung zurückkauft oder anderweitig erwirbt; und
- (z) in den vorgenannten Fällen (iii) und (iv) kein Pflichtnachzahlungstag vorliegt, wenn die betreffenden Zahlungen auf oder in Bezug auf Gleichrangige Wertpapiere Konzerninterne Zahlungen sind.

provided that

- (x) in the cases (iii) and (iv) above no Mandatory Settlement Date occurs if the Issuer or the relevant Subsidiary is obliged under the terms and conditions of such Parity Obligation to make such payment, such redemption, such repurchase or such other acquisition;
- (y) in the case (iv) above no Mandatory Settlement Date occurs if the Issuer or the relevant Subsidiary repurchases or otherwise acquires (in each case directly or indirectly) any Parity Obligations or any Notes in whole or in part in a public tender offer or public exchange offer at a consideration per Parity Obligation or Note below its par value; and
- (z) in the cases (iii) and (iv) above no Mandatory Settlement Date occurs if the relevant payments on, or in respect of, any Parity Securities are Intra-Group Payments.

Ein "**Obligatorisches Nachzahlungsereignis**" bezeichnet vorbehaltlich des nachstehenden Satzes 2 jedes der folgenden Ereignisse:

- (i) die ordentliche Hauptversammlung der Emittentin beschließt, eine Dividende, sonstige Ausschüttung oder sonstige Zahlung auf eine Aktie einer beliebigen Gattung der Emittentin zu leisten (mit Ausnahme einer Dividende, Ausschüttung oder Zahlung in Form von Stammaktien der Emittentin);
- (ii) die Emittentin oder eine Tochtergesellschaft zahlt eine Dividende, sonstige Ausschüttung oder sonstige Zahlung auf eine Nachrangige Verbindlichkeit (mit Ausnahme einer Dividende, Ausschüttung oder Zahlung in Form von Stammaktien der Emittentin); oder
- (iii) die Emittentin oder eine Tochtergesellschaft (jeweils direkt oder indirekt) zahlt oder kauft eine Nachrangige Verbindlichkeit zurück oder erwirbt sie anderweitig.

In den vorgenannten Fällen (ii) und (iii) tritt jedoch kein Obligatorisches Nachzahlungsereignis ein, wenn

- (x) die Emittentin oder die betreffende Tochtergesellschaft nach Maßgabe der Emissionsbedingungen der betreffenden Nachrangigen Verbindlichkeit zu der Zahlung, zu der Rückzahlung, zu dem Rückkauf oder zu dem anderweitigen Erwerb verpflichtet ist;
- (y) die Emittentin oder die betreffende Tochtergesellschaft Aktien einer beliebigen Gattung der Emittentin oder eine Nachrangige Verbindlichkeit nach Maßgabe eines bestehenden oder zukünftigen Aktienoptions- oder Aktienbeteiligungsprogramms oder ähnlichen Programms für Mitglieder des Vorstands oder des Aufsichtsrats (oder, im Falle verbundener Unternehmen, ähnlicher Gremien) oder Mitarbeiter der Emittentin oder mit ihr verbundener Unternehmen (jeweils direkt oder indirekt) zurückkauft oder anderweitig erwirbt; oder
- (z) die betreffenden Zahlungen auf oder in Bezug auf Nachrangige Verbindlichkeiten Konzerninterne Zahlungen sind.

"**Konzerninterne Zahlungen**" sind Zahlungen, die ausschließlich an die Emittentin und/oder an eine oder mehrere ihrer Tochtergesellschaften erfolgen.

"**Compulsory Settlement Event**" means any of the following events, subject to the proviso in sentence 2 below:

- (i) the ordinary general meeting of shareholders (*ordentliche Hauptversammlung*) of the Issuer resolves on the payment of any dividend, other distribution or other payment on any share of any class of the Issuer (other than a dividend, distribution or payment which is made in the form of ordinary shares of the Issuer);
- (ii) the Issuer or any Subsidiary pays any dividend, other distribution or other payment in respect of any Junior Obligation (other than a dividend, distribution or payment which is made in the form of ordinary shares of the Issuer); or
- (iii) the Issuer or any Subsidiary redeems, repurchases or otherwise acquires (in each case directly or indirectly) any Junior Obligation.

The cases (ii) and (iii) above are subject to the proviso that no Compulsory Settlement Event occurs if

- (x) the Issuer or the relevant Subsidiary is obliged under the terms and conditions of such Junior Obligation to make such payment, such redemption, such repurchase or such other acquisition;
- (y) the Issuer or the relevant Subsidiary repurchases or otherwise acquires (in each case directly or indirectly) any share of any class of the Issuer or any Junior Obligation pursuant to the obligations of the Issuer under any existing or future stock option or stock ownership programme or similar programme for any members of the board of management or supervisory board (or, in the case of affiliates, comparable boards) or employees of the Issuer or any of its affiliates; or
- (z) the relevant payments on, or in respect of, any Junior Obligation are Intra-Group Payments.

"**Intra-Group Payments**" means payments made exclusively to the Issuer and/or one or more of its Subsidiaries.

§ 5
RÜCKZAHLUNG

(1) *Rückzahlung bei Endfälligkeit.* Soweit nicht vorzeitig zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen am 2. April 2075 (der "**Fälligkeitstag**") zu ihrer festgelegten Stückelung zuzüglich aufgelaufener aber nicht bezahlter Zinsbeträge zum Fälligkeitstag (ausschließlich) sowie Aufgeschobener Zinszahlungen zurückgezahlt.

(2) *Vorzeitige Rückzahlung nach Wahl der Emittentin und bei geringem ausstehendem Gesamtnennbetrag.* Die Emittentin ist berechtigt, durch Bekanntmachung gemäß § 13 unter Einhaltung einer Frist von nicht weniger als 20 und nicht mehr als 40 Tagen, die Schuldverschreibungen (insgesamt und nicht nur teilweise) erstmals mit Wirkung zum Ersten Rückzahlungstermin, und danach mit Wirkung zu jedem nachfolgenden Zinszahlungstag zu kündigen. Im Falle einer solchen Kündigung ist die Emittentin verpflichtet, jede Schuldverschreibung an dem in der Bekanntmachung festgelegten Rückzahlungstag zu ihrer festgelegten Stückelung zuzüglich aufgelaufener aber noch nicht bezahlter Zinsbeträge sowie Aufgeschobener Zinszahlungen zurückzuzahlen.

Die Emittentin ist berechtigt, durch Bekanntmachung gemäß § 13 unter Einhaltung einer Frist von nicht weniger als 20 und nicht mehr als 40 Tagen, die Schuldverschreibungen (insgesamt und nicht nur teilweise) jederzeit zu kündigen, falls mindestens 80 % des ursprünglich begebenen Gesamtnennbetrages der Schuldverschreibungen zurückgezahlt oder erworben und eingezogen worden sind. Im Falle einer solchen Kündigung ist die Emittentin verpflichtet, jede Schuldverschreibung an dem in der Bekanntmachung festgelegten Rückzahlungstag zu ihrer festgelegten Stückelung zuzüglich aufgelaufener aber noch nicht bezahlter Zinsbeträge sowie Aufgeschobener Zinszahlungen zurückzuzahlen.

(3) *Andere vorzeitige Rückzahlungsereignisse.* Die Emittentin ist berechtigt, durch Bekanntmachung gemäß § 13 unter Einhaltung einer Frist von nicht weniger als 20 und nicht mehr als 40 Tagen, die Schuldverschreibungen (insgesamt und nicht nur teilweise) jederzeit zu kündigen, falls eines der folgenden vorzeitigen Rückzahlungsereignisse eingetreten ist. Im Falle einer solchen Kündigung ist die Emittentin verpflichtet, jede Schuldverschreibung an dem in der Bekanntmachung festgelegten Rückzahlungstag zu ihrem jeweiligen Vorzeitigen Rückzahlungsbetrag zurückzuzahlen. Die Bekanntmachung hat den Grund der vorzeitigen Rückzahlung und den Rückzahlungstag anzugeben.

§ 5
REDEMPTION

(1) *Redemption at Maturity.* Unless redeemed or purchased and cancelled earlier, the Notes will be redeemed on April 2, 2075 (the "**Maturity Date**") at the Specified Denomination plus accrued and unpaid interest to (but excluding) the Maturity Date and any Arrears of Interest.

(2) *Early Redemption at the Option of the Issuer and in Case of Minimum Outstanding Aggregate Principal Amount.* The Issuer may, upon giving not less than 20 nor more than 40 days notice pursuant to § 13 call the Notes for redemption (in whole but not in part) for the first time with effect as of the First Call Date, and subsequently with effect as of each Interest Payment Date thereafter. In this case, the Issuer shall redeem each Note at its Specified Denomination plus accrued and unpaid interest and any Arrears of Interest on the redemption date specified in the notice.

The Issuer may, upon giving not less than 20 nor more than 40 days notice pursuant to § 13, call the Notes for redemption (in whole but not in part) at any time if at least 80 percent of the originally issued aggregate principal amount of the Notes have been redeemed or purchased and cancelled. In this case the Issuer shall redeem each Note at its Specified Denomination plus accrued and unpaid interest and any Arrears of Interest on the redemption date specified in the notice.

(3) *Other Early Redemption Events.* The Issuer may, upon giving not less than 20 nor more than 40 days notice pursuant to § 13, call the Notes for redemption (in whole but not in part) at any time, if any of the early redemption events as set forth below has occurred. In this case the Issuer shall redeem each Note at the relevant Early Redemption Amount on the redemption date specified in the notice. The notice shall set forth the underlying facts of the Issuer's right to early redemption and specify the redemption date.

(i) Ein "**Ratingereignis**" tritt ein, wenn entweder:

(x) eine Ratingagentur eine Veränderung in der Methodologie für Hybridkapital oder der Interpretation dieser Methodologie veröffentlicht, wodurch die Schuldverschreibungen nicht mehr länger in derselben oder einer höheren Eigenkapitalanrechnung (oder eine vergleichbare Beschreibung, die von der Ratingagentur in Zukunft genutzt wird, um zu beschreiben in wie weit die Bedingungen eines Instruments die vorrangigen Verbindlichkeiten der Emittentin unterstützen) wie zum Zinslaufbeginn einzuordnen sind oder, wenn keine Eigenkapitalanrechnung zum Zinslaufbeginn von der Ratingagentur bestimmt wurde, zu dem Tag, an dem erstmals die Eigenkapitalanrechnung von der Ratingagentur bestimmt wird (ein "**Verlust der Eigenkapitalanrechnung**"), oder

(y) die Emittentin eine schriftliche Bestätigung von einer Ratingagentur erhalten und diese an die Hauptzahlstelle in Kopie weitergegeben hat, welche besagt, dass aufgrund einer Änderung der Methodologie für Hybridkapital oder der Interpretation dieser Methodologie, ein Verlust der Eigenkapitalanrechnung erfolgt ist,

und die Emittentin die Gläubiger über das Ratingereignis gemäß § 13 informiert hat bevor die Mitteilung der Rückzahlung (wie oben beschrieben) bekanntgemacht wurde.

"**Ratingagentur**" bezeichnet jeweils Moody's und S&P, wobei "**Moody's**" Moody's Investors Services Limited oder eine ihrer Nachfolgesellschaften bezeichnet und "**S&P**" Standard & Poor's Rating Services, eine Abteilung der McGraw-Hill Companies, Inc., bezeichnet, oder eine andere durch die Emittentin bezeichnete Ratingagentur mit gleichwertiger internationaler Anerkennung sowie jeweils ihre Tochter- oder Nachfolgesellschaften.

(ii) Ein "**Steuerereignis**" tritt ein, wenn die Emittentin ein Gutachten einer international anerkannten Rechtsanwaltskanzlei erhalten hat, aus dem hervorgeht, dass nach dem Zinslaufbeginn als Folge einer Änderung von deutschem Recht oder dessen offizieller Auslegung oder Anwendung die steuerliche

(i) A "**Rating Event**" shall occur if either:

(x) any Rating Agency publishes a change in hybrid capital methodology or the interpretation thereof, as a result of which change the Notes would no longer be eligible for the same or a higher category of "equity credit" or such similar nomenclature as may be used by that Rating Agency from time to time to describe the degree to which the terms of an instrument are supportive of the Issuer's senior obligations, attributed to the Notes at the Interest Commencement Date, or if "equity credit" is not assigned on the Interest Commencement Date by such Rating Agency, at the date when the equity credit is assigned for the first time by such Rating Agency (a "**Loss in Equity Credit**"), or

(y) the Issuer has received, and has provided the Principal Paying Agent with a copy of, a written confirmation from any Rating Agency that due to a change in hybrid capital methodology or the interpretation thereof, a Loss in Equity Credit occurred,

and the Issuer has given notice to the Holders in accordance with § 13 of such Rating Event prior to giving the notice of redemption referred to above.

"**Rating Agency**" means each of Moody's and S&P, where "**Moody's**" means Moody's Investors Services Limited or any of its successors, and "**S&P**" means Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc., or any other rating agency of equivalent international standing specified from time to time by the Issuer and, in each case their respective subsidiaries or successors.

(ii) A "**Tax Deductibility Event**" shall occur if an opinion of a recognized law firm of international standing has been delivered to the Issuer, stating that by reason of a change in German law or regulation, or any change in the official application or interpretation of such law, after the Interest Commencement Date,

Behandlung von Zinszahlungen, die von der Emittentin in Bezug auf die Schuldverschreibungen zahlbar sind, dergestalt geändert wurde, dass sie für die Zwecke der Körperschaftsteuer nicht mehr vollständig abzugsfähig sind, und die Emittentin dieses Risiko nicht durch das Ergreifen zumutbarer Maßnahmen vermeiden kann.

- (iii) Ein "**Gross-up Ereignis**" tritt ein, wenn die Emittentin als Folge einer Änderung nach dem Zinslaufbeginn von deutschen Gesetzen oder veröffentlichten Vorschriften verpflichtet ist, sämtliche gemäß § 8 zahlbaren zusätzlichen Beträge zu zahlen, allerdings nur soweit die Emittentin die Zahlungsverpflichtung nicht durch das Ergreifen zumutbarer Maßnahmen vermeiden kann, die sie nach Treu und Glauben für angemessen hält.

Der "**Vorzeitige Rückzahlungsbetrag**" bezeichnet (i) im Falle eines Ratingereignisses oder eines Steuerereignisses, an dem der maßgebliche für die Rückzahlung festgelegte Tag vor dem Ersten Rückzahlungstermin fällt, 101% der festgelegten Stückelung, und (ii) im Falle eines Ratingereignisses oder eines Steuerereignisses, an dem der maßgebliche für die Rückzahlung festgelegte Tag auf den oder nach dem Ersten Rückzahlungstermin fällt und im Falle eines Gross-up Ereignisses, 100% der festgelegten Stückelung, jeweils zuzüglich aufgelaufener aber noch nicht bezahlter Zinsbeträge bis zum Rückzahlungstag (ausschließlich) sowie Aufgeschobener Zinszahlungen.

§ 6 ZAHLUNGEN

- (1)(a) *Zahlungen auf Kapital.* Zahlungen auf Kapital in Bezug auf die Schuldverschreibungen erfolgen nach Maßgabe von § 6(2) an das Clearing System oder gegebenenfalls dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems gegen Vorlage und, (soweit es sich nicht um eine Teilzahlung handelt) Übergabe der Globalurkunde, mit der die Schuldverschreibungen verbrieft werden, zum Zeitpunkt der Zahlung in der bezeichneten Geschäftsstelle der Hauptzahlstelle außerhalb der Vereinigten Staaten.
- (b) *Zahlung von Zinsen.* Die Zahlung von Zinsen auf Schuldverschreibungen erfolgt nach Maßgabe von § 6(2) an das Clearing System oder gegebenenfalls dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems.

the tax regime of any payments under the Notes is modified and such modification results in payments of interest payable by the Issuer in respect of the Notes being no longer fully deductible for corporate income tax purposes, and such risk cannot be avoided by the Issuer taking reasonable measures available to it.

- (iii) A "**Gross-up Event**" shall occur if, by reason of any change in German law or published regulations becoming effective after the Interest Commencement Date, the Issuer would have to pay any additional amounts which may be payable under § 8, provided that the payment obligation cannot be avoided by the Issuer taking such reasonable measures it (acting in good faith) deems appropriate.

The "**Early Redemption Amount**" shall be (i) in case of a Rating Event or a Tax Deductibility Event where the relevant date fixed for redemption falls prior to the First Call Date, equal to 101 percent of the Specified Denomination, and (ii) in the case of a Rating Event or a Tax Deductibility Event where the relevant date fixed for redemption falls on or after the First Call Date or in case of a Gross-Up Event, equal to 100 percent of the Specified Denomination, in each case plus accrued and unpaid interest up to (but excluding) the redemption date and any outstanding Arrears of Interest.

§ 6 PAYMENTS

- (1)(a) *Payment of Principal.* Payment of principal in respect of Notes shall be made, subject to § 6(2), to the Clearing System or (if applicable) to its order for credit to the accounts of the relevant account holders of the Clearing System upon presentation and (except in the case of partial payment) surrender of the global note representing the Notes at the time of payment at the specified office of the Principal Paying Agent outside the United States.
- (b) *Payment of Interest.* Payment of interest on Notes shall be made, subject to § 6(2), to the Clearing System or (if applicable) to its order for credit to the relevant account holders of the Clearing System.

Die Zahlung von Zinsen auf Schuldverschreibungen, die durch die vorläufige Globalurkunde verbrieft sind, erfolgt nach Maßgabe von § 6(2) an das Clearing System oder gegebenenfalls dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems, und zwar nach ordnungsgemäßer Bescheinigung gemäß § 1(3)(b).

(2) *Zahlungsweise.* Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf die Schuldverschreibungen in der festgelegten Währung.

(3) *Vereinigte Staaten.* Für die Zwecke des § 1(3) und § 6(1) bezeichnet "**Vereinigte Staaten**" die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Rico, der U.S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Mariana Islands).

(4) *Erfüllung.* Die Emittentin wird durch Leistung der Zahlung an das Clearing System oder dessen Order von ihrer Zahlungspflicht befreit.

(5) *Zahltag.* Fällt der Fälligkeitstag einer Zahlung in Bezug auf eine Schuldverschreibung auf einen Tag, der kein Zahltag ist, dann hat der Gläubiger keinen Anspruch auf Zahlung vor dem nächsten Zahltag am jeweiligen Geschäftsort. Der Gläubiger ist nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen.

Für diese Zwecke bezeichnet "**Zahltag**" einen Tag, der ein Geschäftstag ist.

(6) *Bezugnahmen auf Kapital und Zinsen.* Bezugnahmen in diesen Bedingungen auf einen Kapitalbetrag der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: die festgelegte Stückelung der Schuldverschreibungen, den Vorzeitigen Rückzahlungsbetrag sowie sonstige auf oder in Bezug auf die Schuldverschreibungen zahlbaren Beträge. Bezugnahmen in diesen Bedingungen auf Zinsen auf die Schuldverschreibungen sollen, soweit anwendbar, sämtliche gemäß § 8 zahlbaren zusätzlichen Beträge einschließen.

(7) *Hinterlegung von Kapital und Zinsen.* Die Emittentin ist berechtigt, beim Amtsgericht Frankfurt am Main Zins- oder Kapitalbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Soweit eine solche Hinterlegung erfolgt, und auf das Recht der Rücknahme verzichtet wird, erlöschen die Ansprüche der Gläubiger gegen die Emittentin.

Payment of interest on Notes represented by the Temporary Global Note shall be made, subject to § 6(2), to the Clearing System or (if applicable) to its order for credit to the relevant account holders of the Clearing System, upon due certification as provided in § 1(3)(b).

(2) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in the Specified Currency.

(3) *United States.* For purposes of § 1(3) and § 6(1), "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

(4) *Discharge.* The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

(5) *Payment Business Day.* If the date for payment of any amount in respect of any Note is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Business Day**" means any day which is a Business Day.

(6) *References to Principal and Interest.* Reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable: the Specified Denomination of the Notes, the Early Redemption Amount and any other amounts which may be payable under or in respect of the Notes. Reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable under § 8.

(7) *Deposit of Principal and Interest.* The Issuer may deposit with the *Amtsgericht* in Frankfurt am Main principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

**§ 7
VERWALTUNGSSTELLEN**

(1) *Bestellung; bezeichnete Geschäftsstelle.* Die anfänglich bestellte Hauptzahlstelle und die anfänglich bestellte Berechnungsstelle und ihre bezeichneten Geschäftsstellen lauten wie folgt:

Hauptzahlstelle:

Deutsche Bank Aktiengesellschaft
Trust & Securities Services
Taunusanlage 12
60325 Frankfurt am Main
Deutschland

Berechnungsstelle:

Deutsche Bank Aktiengesellschaft
Trust & Securities Services
Taunusanlage 12
60325 Frankfurt am Main
Deutschland

Die Hauptzahlstelle und die Berechnungsstelle behalten sich das Recht vor, jederzeit ihre bezeichneten Geschäftsstellen durch eine andere bezeichnete Geschäftsstelle in derselben Stadt zu ersetzen.

(2) *Änderung der Bestellung oder Abberufung.* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung der Hauptzahlstelle oder der Berechnungsstelle zu ändern oder zu beenden und eine andere Hauptzahlstelle, zusätzliche Zahlstellen oder eine andere Berechnungsstelle zu bestellen. Die Emittentin wird zu jedem Zeitpunkt (i) eine Hauptzahlstelle unterhalten und (ii) eine Berechnungsstelle unterhalten. Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber gemäß § 13 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Tagen informiert wurden.

(3) *Beauftragte der Emittentin.* Die Hauptzahlstelle und die Berechnungsstelle handeln ausschließlich als Beauftragte der Emittentin und übernehmen keinerlei Verpflichtungen gegenüber den Gläubigern und es wird kein Auftrags- oder Treuhandverhältnis zwischen ihnen und den Gläubigern begründet.

**§ 8
STEUERN**

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge sind an der Quelle ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtig oder zukünftig bestehenden Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder

**§ 7
AGENTS**

(1) *Appointment; Specified Offices.* The initial Principal Paying Agent and the initial Calculation Agent and their respective initial specified offices are:

Principal Paying Agent:

Deutsche Bank Aktiengesellschaft
Trust & Securities Services
Taunusanlage 12
60325 Frankfurt am Main
Germany

Calculation Agent:

Deutsche Bank Aktiengesellschaft
Trust & Securities Services
Taunusanlage 12
60325 Frankfurt am Main
Germany

The Principal Paying Agent and the Calculation Agent reserve the right at any time to change their respective specified offices to some other specified offices in the same city.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent or the Calculation Agent and to appoint another Principal Paying Agent, additional paying agents or another Calculation Agent. The Issuer shall at all times maintain (i) a Principal Paying Agent and (ii) a Calculation Agent. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 13.

(3) *Agents of the Issuer.* The Principal Paying Agent and the Calculation Agent act solely as agents of the Issuer and do not have any obligations towards or relationship of agency or trust to any Holder.

**§ 8
TAXATION**

Principal and interest shall be payable without deduction or withholding for or on account of any present or future taxes, duties or governmental charges of any nature whatsoever imposed, levied or collected by or on behalf of Germany or by or on

in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer mit dem Recht zur Steuererhebung versehenen politischen Untergliederung oder Behörde der Vorgenannten auferlegt oder erhoben werden (zusammen "**Quellensteuer**"), es sei denn, dieser Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In diesem Fall wird die Emittentin diejenigen zusätzlichen Beträge zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen an Kapital und Zinsen entsprechen, die ohne einen solchen Abzug oder Einbehalt von den Gläubigern empfangen worden wären. Die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

- (a) anders als durch Einbehalt oder Abzug von Zahlungen zu entrichten sind, die die Emittentin an den Gläubiger leistet; oder
- (b) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person abgezogen oder einbehalten werden oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt; oder
- (c) von der Hauptzahlstelle oder einer zusätzlich bestellten Zahlstelle abgezogen oder einbehalten werden, wenn eine andere Zahlstelle die Zahlung ohne einen solchen Abzug oder Einbehalt hätte leisten können; oder
- (d) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Bundesrepublik Deutschland oder die Europäische Union beteiligt ist/sind, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder
- (e) aufgrund einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge wirksam wird; oder
- (f) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zu der Bundesrepublik Deutschland oder weil der Gläubiger in der Bundesrepublik Deutschland wohnhaft ist bzw.

behalf of any political subdivision or authority thereof having power to tax (together "**Withholding Taxes**"), unless such deduction or withholding is required by law. In such event, the Issuer shall pay such additional amounts of principal and interest as may be necessary in order that the net amounts received by the Holders after such deduction or withholding shall equal the respective amounts of principal and interest which would have been receivable had no such deduction or withholding been required. No such additional amounts shall, however, be payable on account of any taxes, duties or governmental charges which:

- (a) are payable otherwise than by withholding or deduction from payments made by the Issuer to the Holder, or
- (b) are deducted or withheld by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise payable in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it; or
- (c) are deducted or withheld by the Principal Paying Agent or an additional paying agent from a payment if the payment could have been made by another paying agent without such deduction or withholding; or
- (d) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of savings, or (ii) any international treaty or understanding relating to such taxation and to which Germany or the European Union is a party/are parties or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding; or
- (e) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment becomes due, or is duly provided for, whichever occurs later; or
- (f) are payable by reason of the Holder having, or having had, some personal or business connection with Germany or being a (deemed) resident of Germany or is treated for tax purposes as a resident of Germany or has

für Zwecke der Besteuerung so behandelt wird oder weil der Gläubiger gewünscht hat, so behandelt zu werden oder weil der Gläubiger einen dauerhaften Wohnsitz in der Bundesrepublik Deutschland (oder so behandelt wird) oder in einem anderen Mitgliedstaat der Europäischen Union hat zu zahlen sind. Dies gilt jedoch nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind.

Ungeachtet sonstiger hierin enthaltener Bestimmungen, darf die Emittentin Beträge, die gemäß einer beschriebenen Vereinbarung in Section 1471 (b) des U.S. Revenue Code von 1986 (der "**Code**") erforderlich sind oder die anderweitig aufgrund der Sections 1471 bis 1474 des Codes (oder jeder Änderung oder Nachfolgeregelung), der Regelungen oder Verträge darunter, der offiziellen Auslegungen davon oder jeglicher rechtsausführender und zwischenstaatlicher Zusammenarbeit dazu beruhen, einbehalten oder abziehen ("**FATCA Quellensteuer**"). Die Emittentin ist aufgrund einer durch die Emittentin, die Hauptzahlstelle, eine zusätzlich bestellte Zahlstelle oder eine andere Partei abgezogenen oder einbehaltenen FATCA Quellensteuer nicht zur Zahlung zusätzlicher Beträge oder anderweitig zur Entschädigung der Gläubiger verpflichtet.

§ 9 VORLEGUNGSFRIST

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für Ansprüche aus den Schuldverschreibungen auf zehn Jahre verkürzt.

§ 10 ERSETZUNG

(1) *Ersetzung.* Die Emittentin ist jederzeit berechtigt, sofern sie sich nicht mit einer Zahlung von Kapital oder Zinsen auf die Schuldverschreibungen in Verzug befindet, ohne Zustimmung der Gläubiger jede andere Gesellschaft, deren stimmberechtigte Anteile zu mehr als 90% direkt oder indirekt von der Emittentin gehalten werden, an Stelle der Emittentin als Hauptschuldnerin (die "**Nachfolgeschuldnerin**") für alle Verpflichtungen aus und im Zusammenhang mit dieser Emission einzusetzen, vorausgesetzt, dass:

- (a) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin in Bezug auf die Schuldverschreibungen übernimmt;
- (b) die Nachfolgeschuldnerin alle erforderlichen

elected to be taxed as a resident of Germany or the Holder having a (deemed) permanent establishment in Germany or another member state of the European Union and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, Germany.

Notwithstanding any other provisions contained herein, the Issuer shall be permitted to withhold or deduct any amounts required pursuant to an agreement described in Section 1471 (b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any amended or successor provisions), any regulations or agreements thereunder, official interpretations thereof, or any law implementing and intergovernmental approach thereto ("**FATCA withholding**"). The Issuer will have no obligation to pay additional amounts or otherwise indemnify any Holder for any such FATCA withholding deducted or withheld by the Issuer, the Principal Paying Agent, an additional paying agent or any other party.

§ 9 PRESENTATION PERIOD

The presentation period provided in § 801 subparagraph 1, sentence 1 BGB (*German Civil Code*) is reduced to ten years for claims under the Notes.

§ 10 SUBSTITUTION

(1) *Substitution.* The Issuer may, without the consent of the Holders, if no payment of principal or interest on any of the Notes is in default, at any time substitute for the Issuer any other company more than 90 percent of the voting share or other equity interests of which are directly or indirectly owned by the Issuer as principal debtor in respect of all obligations arising from or in connection with the Notes (the "**Substitute Debtor**") provided that:

- (a) the Substitute Debtor assumes all obligations of the Issuer in respect of the Notes;
- (b) the Substitute Debtor has obtained all

Genehmigungen erhalten hat und berechtigt ist, an die Hauptzahlstelle die zur Erfüllung der Zahlungsverpflichtungen aus den Schuldverschreibungen zahlbaren Beträge in der hierin festgelegten Währung zu zahlen, ohne verpflichtet zu sein, jeweils in dem Land, in dem die Nachfolgeschuldnerin oder die Emittentin ihren Sitz oder Steuersitz haben, erhobene Steuern oder andere Abgaben jeder Art abzuziehen oder einzubehalten;

- (c) die Nachfolgeschuldnerin sich verpflichtet hat, jeden Gläubiger hinsichtlich solcher Quellensteuern, Abgaben oder behördlichen Lasten freizustellen, die einem Gläubiger bezüglich der Ersetzung auferlegt werden;
- (d) die Emittentin unwiderruflich und unbedingt gegenüber den Gläubigern die Zahlung aller von der Nachfolgeschuldnerin auf die Schuldverschreibungen zahlbaren Beträge garantiert; und
- (e) der Hauptzahlstelle jeweils ein Rechtsgutachten bezüglich der betroffenen Rechtsordnungen von anerkannten Rechtsanwälten vorgelegt werden, die bestätigen, dass die Bestimmungen in den vorstehenden Unterabsätzen (a), (b), (c) und (d) erfüllt wurden.

(2) *Bekanntmachung.* Jede Ersetzung ist gemäß § 13 bekanntzumachen.

(3) *Änderung von Bezugnahmen.* Im Fall einer Ersetzung gilt jede Bezugnahme in diesen Bedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin und jede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz oder Steuersitz hat, gilt ab diesem Zeitpunkt als Bezugnahme auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat.

Außerdem gilt im Falle der Ersetzung in § 8 und § 5(3) eine alternative Bezugnahme auf die Bundesrepublik Deutschland als aufgenommen zusätzlich zu der Bezugnahme nach Maßgabe des vorstehenden Satzes auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat.

Die Emittentin ist berechtigt, die Globalurkunde und die Bedingungen ohne Zustimmung der Gläubiger anzupassen, soweit dies erforderlich ist, um die Wirkungen der Ersetzung nachzuvollziehen. Entsprechend angepasste Globalurkunden oder Bedingungen werden bei dem oder für das Clearing System hinterlegt.

necessary authorisations and may transfer to the Principal Paying Agent in the currency required hereunder and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor or the Issuer has its domicile or tax residence, all amounts required for the fulfilment of the payment obligations arising under the Notes;

- (c) the Substitute Debtor has agreed to indemnify and hold harmless each Holder against any withholding tax, duty, assessment or governmental charge imposed on such Holder in respect of such substitution;
- (d) the Issuer irrevocably and unconditionally guarantees in favour of each Holder the payment of all sums payable by the Substitute Debtor in respect of the Notes; and
- (e) there shall have been delivered to the Principal Paying Agent an opinion or opinions of lawyers of recognised standing to the effect that subparagraphs (a), (b), (c) and (d) above have been satisfied.

(2) *Notice.* Notice of any such substitution shall be published in accordance with § 13.

(3) *Change of References.* In the event of any such substitution, any reference in these Conditions to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substitute Debtor.

Furthermore, in the event of such substitution, in § 8 and § 5(3) an alternative reference to Germany shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substitute Debtor.

The Issuer is authorized to adapt the global note and the Conditions without the consent of the Holders to the extent necessary to reflect the changes resulting from the substitution. Appropriately adjusted global notes or Conditions will be deposited with or on behalf of the Clearing System.

§ 11
ÄNDERUNG DER BEDINGUNGEN,
GEMEINSAMER VERTRETER

(1) *Änderung der Bedingungen.* Die Emittentin kann mit Zustimmung der Gläubiger entsprechend den Bestimmungen des Gesetzes über Schuldverschreibungen aus Gesamtemissionen (Schuldverschreibungsgesetz – "SchVG") die Bedingungen hinsichtlich eines nach dem SchVG zugelassenen Gegenstands ändern. Die Gläubiger entscheiden über ihre Zustimmung durch einen Beschluss mit der in § 11(2) bestimmten Mehrheit. Die Mehrheitsbeschlüsse der Gläubiger sind für alle Gläubiger gleichermaßen verbindlich. Ein Mehrheitsbeschluss der Gläubiger, der nicht gleiche Bedingungen für alle Gläubiger vorsieht, ist unwirksam, es sei denn, die benachteiligten Gläubiger stimmen ihrer Benachteiligung ausdrücklich zu.

(2) *Mehrheitserfordernisse.* Die Gläubiger entscheiden mit einer Mehrheit von 75 % der an der Abstimmung teilnehmenden Stimmrechte. Beschlüsse, durch welche der wesentliche Inhalt der Bedingungen nicht geändert wird, und die keinen Gegenstand des § 5 Absatz 3 Nr. 1 bis Nr. 8 und (soweit § 10 dieser Bedingungen keine andere Regelung vorsieht) Nr. 9 des SchVG betreffen, bedürfen zu ihrer Wirksamkeit einer einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte.

(3) *Abstimmung ohne Versammlung.* Alle Abstimmungen werden, vorbehaltlich des nächsten Satzes, ausschließlich im Wege der Abstimmung ohne Versammlung durchgeführt. Eine Gläubigerversammlung und eine Übernahme der Kosten für eine solche Versammlung durch die Emittentin findet ausschließlich im Fall des § 18 Absatz 4 Satz 2 SchVG statt. Die Gegenstände und Vorschläge zur Beschlussfassung sowie nähere Angaben zu den Abstimmungsmodalitäten werden den Gläubigern mit der Aufforderung zur Stimmabgabe bekannt gemacht. Die Ausübung der Stimmrechte ist von einer vorherigen Anmeldung der Gläubiger abhängig. Die Anmeldung muss unter der in der Aufforderung zur Stimmabgabe mitgeteilten Adresse spätestens am dritten Tag vor Beginn des Abstimmungszeitraums zugehen. Mit der Anmeldung müssen die Gläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis der Depotbank gemäß § 14(3)(i)(a) und (b) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum letzten Tag des Abstimmungszeitraums (einschließlich) nicht

§ 11
AMENDMENT OF THE CONDITIONS,
HOLDERS' REPRESENTATIVE

(1) *Amendment of the Conditions.* In accordance with the Act on Debt Securities of 2009 (*Gesetz über Schuldverschreibungen aus Gesamtemissionen (Schuldverschreibungsgesetz – "SchVG")*) the Issuer may, with the consent of the Holders, amend the Conditions with regard to matters permitted by the SchVG. The Holders' consent to such amendments is given by resolution with the majority specified in § 11(2). Majority resolutions shall be binding on all Holders. Resolutions which do not provide for identical conditions for all Holders are void, unless Holders who are disadvantaged have expressly consented to their being treated disadvantageously.

(2) *Majority.* Resolutions shall be passed by a majority of not less than 75 percent of the votes cast. Resolutions relating to amendments of the Conditions which are not material and which do not relate to the matters listed in § 5(3) No. 1 – 8 and (if § 10 of these Conditions does not provide otherwise) No. 9 of the SchVG require a simple majority of the votes cast.

(3) *Vote without a meeting.* All votes will be taken, subject to the next sentence, exclusively by vote taken without a meeting. A meeting of Holders and the assumption of the fees by the Issuer for such a meeting will only take place in the circumstances of § 18(4) sentence 2 of the SchVG. The subject matter of the vote as well as the proposed resolutions and further information on voting procedures shall be notified to the Holders together with the request for voting. The exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the request for voting no later than the third day preceding the beginning of the voting period. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 14(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the day the voting period ends.

übertragbar sind, nachweisen.

(4) *Zweite Versammlung.* Wird für die Abstimmung ohne Versammlung gemäß § 11(3) die mangelnde Beschlussfähigkeit festgestellt, kann der Abstimmungsleiter eine zweite Versammlung im Sinne von § 15 Abs. 3 Satz 3 SchVG einberufen. Die Teilnahme an der zweiten Versammlung und die Ausübung der Stimmrechte sind von einer vorherigen Anmeldung der Gläubiger abhängig. Die Anmeldung muss unter der in der Bekanntmachung der Einberufung mitgeteilten Adresse spätestens am dritten Tag vor der zweiten Versammlung zugehen. Mit der Anmeldung müssen die Gläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis der Depotbank gemäß § 14(3)(i)(a) und (b) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum angegebenen Ende der Versammlung (einschließlich) nicht übertragbar sind, nachweisen.

(5) *Leitung der Abstimmung.* Die Abstimmung wird von einem von der Emittentin beauftragten Notar oder, falls der Gemeinsame Vertreter (wie in § 11(7) definiert) zur Abstimmung aufgefordert hat, vom Gemeinsamen Vertreter geleitet.

(6) *Stimmrecht.* An Abstimmungen der Gläubiger nimmt jeder Gläubiger nach Maßgabe des Nennwerts oder des rechnerischen Anteils seiner Berechtigung an den ausstehenden Schuldverschreibungen teil.

(7) *Gemeinsamer Vertreter.* Die Gläubiger können durch Mehrheitsbeschluss zur Wahrnehmung ihrer Rechte einen gemeinsamen Vertreter für alle Gläubiger bestellen (der "**Gemeinsame Vertreter**"). Der Gemeinsame Vertreter hat die Aufgaben und Befugnisse, welche ihm durch Gesetz oder von den Gläubigern durch Mehrheitsbeschluss eingeräumt wurden. Er hat die Weisungen der Gläubiger zu befolgen. Soweit er zur Geltendmachung von Rechten der Gläubiger ermächtigt ist, sind die einzelnen Gläubiger zur selbständigen Geltendmachung dieser Rechte nicht befugt, es sei denn, der Mehrheitsbeschluss sieht dies ausdrücklich vor. Über seine Tätigkeit hat der Gemeinsame Vertreter den Gläubigern zu berichten. Für die Abberufung und die sonstigen Rechte und Pflichten des Gemeinsamen Vertreters gelten die Vorschriften des SchVG.

(4) *Second Meeting.* If it is ascertained that no quorum exists for the vote without a meeting pursuant to § 11(3), the scrutineer (*Abstimmungsleiter*) may convene a second meeting within the meaning of section 15 paragraph 3 sentence 3 of the SchVG. Attendance at the second meeting and exercise of voting rights is subject to the Holders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the second meeting. As part of the registration, Holders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 14(3)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from and including the day such registration has been sent until and including the stated end of the meeting.

(5) *Chair of the vote.* The vote will be chaired by a notary appointed by the Issuer or, if the Holders' Representative (as defined in § 11(7) below) has convened the vote, by the Holders' Representative.

(6) *Voting rights.* Each Holder participating in any vote shall cast votes in accordance with the nominal amount or the notional share of its entitlement to the outstanding Notes.

(7) *Holdings' Representative.* The Holders may by majority resolution appoint a common representative (the "**Holdings' Representative**") to exercise the Holders' rights on behalf of each Holder. The Holders' Representative shall have the duties and powers provided by law or granted by majority resolution of the Holders. The Holders' Representative shall comply with the instructions of the Holders. To the extent that the Holders' Representative has been authorised to assert certain rights of the Holders, the Holders shall not be entitled to assert such rights themselves, unless explicitly provided for in the relevant majority resolution. The Holders' Representative shall provide reports to the Holders on its activities. The regulations of the SchVG apply with regard to the recall and the other rights and obligations of the Holders' Representative.

§ 12
BEGEBUNG WEITERER
SCHULDVERSCHREIBUNGEN,
ANKAUF UND ENTWERTUNG

(1) *Begebung weiterer Schuldverschreibungen.* Die Emittentin ist jederzeit berechtigt, ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit den gleichen Bedingungen (gegebenenfalls mit Ausnahme des Tages der Begebung, des Zinslaufbeginns und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit den Schuldverschreibungen eine einheitliche Emission bilden.

(2) *Ankauf.* Die Emittentin ist berechtigt, jederzeit Schuldverschreibungen im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder bei der Hauptzahlstelle zwecks Entwertung eingereicht werden. Sofern diese Käufe durch öffentliches Rückkaufangebot erfolgen, muss dieses Angebot allen Gläubigern gleichermaßen gemacht werden.

(3) *Entwertung.* Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.

§ 13
MITTEILUNGEN

(1) *Bekanntmachung.* Alle die Schuldverschreibungen betreffenden Mitteilungen werden im Bundesanzeiger veröffentlicht und erfolgen zusätzlich durch elektronische Publikation auf der Website der Luxemburger Börse (www.bourse.lu). Jede Mitteilung gilt am dritten Tag nach dem Tag der Veröffentlichung als wirksam erfolgt.

(2) *Mitteilungen an das Clearing System.* Solange Schuldverschreibungen an der Offiziellen Liste der Luxemburger Börse notiert sind, findet Absatz 1 Anwendung. Soweit die Regeln der Luxemburger Börse dies sonst zulassen, kann die Emittentin eine Veröffentlichung nach Absatz 1 durch eine Mitteilung an das Clearing System zur Weiterleitung an die Gläubiger ersetzen; jede derartige Mitteilung gilt am siebten Tag nach dem Tag der Mitteilung an das Clearing System als den Gläubigern mitgeteilt.

§ 12
FURTHER ISSUES, PURCHASES AND
CANCELLATION

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, interest commencement date and/or issue price) so as to form a single issue with the Notes.

(2) *Purchases.* The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Principal Paying Agent for cancellation. If purchases are made by public tender, tenders for such Notes must be made available to all Holders of such Notes alike.

(3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 13
NOTICES

(1) *Publication.* All notices concerning the Notes shall be published in the Federal Gazette (*Bundesanzeiger*) and in addition will be made by means of electronic publication on the internet website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice so given will be deemed to have been validly given on the third day following the date of such publication.

(2) *Notification to Clearing System.* So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange, subparagraph (1) shall apply. If the Rules of the Luxembourg Stock Exchange otherwise so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders, in lieu of publication as set forth in subparagraph (1) above; any such notice shall be deemed to have been validly given on the seventh day after the day on which the said notice was given to the Clearing System.

§ 14
ANWENDBARES RECHT,
GERICHTSSTAND UND GERICHTLICHE
GELTENDMACHUNG

(1) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen sowie Pflichten der Emittentin und Rechte der Gläubiger bestimmen sich in jeder Hinsicht nach deutschem Recht.

(2) *Gerichtsstand.* Nicht ausschließlich zuständig für sämtliche im Zusammenhang mit den Schuldverschreibungen entstehenden Klagen oder sonstige Verfahren ("**Rechtsstreitigkeiten**") ist das Landgericht Frankfurt am Main.

(3) *Gerichtliche Geltendmachung.* Jeder Gläubiger von Schuldverschreibungen ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage wahrzunehmen oder geltend zu machen: (i) er bringt eine Bescheinigung der Depotbank bei, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, dass die Depotbank gegenüber dem Clearing System eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält; und (ii) er legt eine Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde vor, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des Clearing Systems oder des Verwahrers des Clearing Systems bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbriefenden Globalurkunde in einem solchen Verfahren erforderlich wäre. Für die Zwecke des Vorstehenden bezeichnet "**Depotbank**" jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Wertpapierverwahrungsgeschäft zu betreiben und bei der/dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich des Clearing Systems. Unbeschadet des Vorstehenden kann jeder Gläubiger seine Rechte aus den Schuldverschreibungen auch auf jede andere Weise schützen oder geltend machen, die im Land des Rechtsstreits prozessual zulässig ist.

§ 14
APPLICABLE LAW, PLACE OF
JURISDICTION AND ENFORCEMENT

(1) *Applicable Law.* The Notes, as to form and content, and all obligations of the Issuer and rights of the Holders shall be governed by German law.

(2) *Submission to Jurisdiction.* The District Court (*Landgericht*) in Frankfurt am Main shall have non-exclusive jurisdiction for any action or other legal proceedings ("**Proceedings**") arising out of or in connection with the Notes.

(3) *Enforcement.* Any Holder of Notes may in any proceeding against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in its own name its rights arising under such Notes on the basis of (i) a statement issued by the Custodian (as defined below) with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Note in global form certified as being a true copy by a duly authorized officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes. For purposes of the foregoing, "**Custodian**" means any bank or other financial institution of recognised standing authorized to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce its rights under these Notes also in any other way which is admitted in the country of the Proceedings.

§ 15 SPRACHE

Diese Bedingungen sind in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigelegt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

Beschränkungen bezüglich der Rückzahlung und des Rückkaufs der Schuldverschreibungen

Der folgende Absatz in Kursivschrift ist nicht Bestandteil der Bedingungen.

Die Emittentin beabsichtigt (ohne dadurch eine Rechtspflicht zu übernehmen) die Schuldverschreibungen nur zurückzuzahlen oder zurückzukaufen, soweit sie durch Instrumente mit gleichwertiger S&P Eigenkapitalanrechnung ersetzt werden. Ein solcher Ersatz würde innerhalb von 360 Tagen vor dem Tag der Rückzahlung oder des Rückkaufs geschaffen werden. Als gleichwertig gelten Nettoerlöse, welche die Emittentin oder eine Tochtergesellschaft der Emittentin aus dem Verkauf von Wertpapieren an Dritte erhält und die eine S&P Eigenkapitalanrechnung haben, die mindestens so hoch ist wie die S&P Eigenkapitalanrechnung der zurückzuzahlenden oder zurückzukaufenden Schuldverschreibungen.

Es gelten jedoch folgende Ausnahmen in Bezug auf die Absicht der Emittentin. Es muss nicht für Ersatz gesorgt werden:

- (i) wenn das der Emittentin durch S&P erteilte Rating mindestens A- beträgt und die Emittentin sich sicher ist, dass ein solches Rating infolge der Rückzahlung oder des Rückkaufs nicht unter diesen Wert fallen würde oder*
- (ii) im Fall eines Rückkaufs von Schuldverschreibungen in Höhe von weniger als (x) 10% des ursprünglich ausgegebenen Gesamtnennbetrags der Schuldverschreibungen während einer Frist von 12 aufeinander folgenden Monaten oder (y) 25% des ursprünglich ausgegebenen Gesamtnennbetrags der Schuldverschreibungen während einer Frist von 10 aufeinander folgenden Jahren oder*
- (iii) im Fall der Rückzahlung der Schuldverschreibungen gemäß einem Ratingereignis (sofern es durch eine Änderung von S&P Methodologie verursacht wurde),*

§ 15 LANGUAGE

These Conditions are written in the German language and provided with an English language translation. The German text shall be controlling and binding. The English language translation is provided for convenience only.

Restrictions regarding the Redemption and Repurchase of the Notes

The following paragraphs in italics do not form part of the Conditions.

The Issuer intends (without thereby assuming a legal or contractual obligation) that it will redeem or repurchase the Notes only to the extent they are replaced with instruments with equivalent S&P equity credit. Such replacement would be provided during the 360-day period prior to the date of such redemption or repurchase. The net proceeds which are received by the Issuer or a Subsidiary of the Issuer from the sale of securities to third parties and are assigned an S&P equity credit that is at least equal to the S&P equity credit assigned to the Notes to be redeemed or repurchased will be deemed to be equivalent.

The following exceptions apply as to the Issuer's replacement intention. The Notes are not required to be replaced:

- (i) if the rating assigned by S&P to the Issuer is at least A- and the Issuer is comfortable that such rating would not fall below this level as a result of such redemption or repurchase, or*
- (ii) in the case of repurchase of less than (x) 10 per cent of the aggregate principal amount of the Notes originally issued in any period of 12 consecutive months or (y) 25 per cent of the aggregate principal amount of the Notes originally issued in any period of 10 consecutive years is repurchased, or*
- (iii) if the Notes are redeemed pursuant to a Rating Event (to the extent it is triggered by a change of methodology at S&P), a Tax Deductibility Event or a Gross-Up Event, or*

einem Steuerereignis oder einem Gross-Up Ereignis oder

- (iv) wenn die Schuldverschreibungen keine Eigenkapitalanrechnung (oder eine solche von S&P zum Zeitpunkt der Rückzahlung oder des Rückkaufs dann verwendete gleichartige Klassifikation) aufweisen oder*
- (v) wenn die Rückzahlung oder der Rückkauf am oder nach dem 2. Oktober 2042 erfolgt.*

*Die Absicht der Emittentin zur Ersetzung gilt, auch während der ersten fünf Jahre nach dem Zinslaufbeginn, nicht für Rückkäufe von Schuldverschreibungen mit einem Gesamtnennbetrag bis zum S&P Überschussbetrag. "**S&P Überschussbetrag**" bezeichnet den Nennbetrag der insgesamt ausstehenden Hybridanleihen der Emittentin, der die maximale Anrechnungsgrenze, bezogen auf die angepasste gesamte Kapitalisierung (adjusted total capitalization) der Emittentin, nach der in diesem Zeitpunkt anwendbaren S&P Methodologie überschreitet.*

- (iv) if the Notes are not assigned an "equity credit" (or such similar nomenclature then used by S&P at the time of such redemption or repurchase), or*
- (v) if such redemption or repurchase occurs on or after October 2, 2042.*

*The replacement intention of the Issuer, including during the period of five years following the Interest Commencement Date, shall not apply for repurchases of Notes with an aggregate amount up to the S&P Excess Amount. "**S&P Excess Amount**" means the aggregate principal amount of outstanding hybrid capital of the Issuer exceeding the maximum aggregate principal amount of hybrid capital for which S&P under its then prevailing methodology would recognize equity credit from time to time based on the Issuer's adjusted total capitalization.*

DESCRIPTION OF RULES REGARDING RESOLUTIONS OF HOLDERS

The Conditions of the Notes provide that the Holders may agree to amendments or decide on other matters relating to the Notes by way of a resolution to be passed by taking votes without a meeting, or in exceptional circumstances at meetings of the Holders. Any such resolution duly adopted by the Holders shall be binding on each Holder of the Notes, irrespective of whether such Holder took part in the vote and whether such Holder voted in favor of or against such resolution.

The following is a brief summary of some of the rules regarding the taking of votes without meetings and the convening and conduct of meetings of Holders, the passing and publication of resolutions, their implementation and the filing of actions to challenge resolutions before German courts.

Specific Rules regarding Votes without Meeting

The voting shall be conducted by the chairman of the meeting. Such chairman shall be (i) a notary public appointed by the Issuer, (ii) where a common representative of the Holders (the "**Holders' Representative**") has been appointed and has solicited the vote, the Holders' Representative or (iii) a person appointed by the competent court.

The notice soliciting the Holders' votes shall state the period within which votes may be cast. During such voting period, the Holders may cast their votes to the person presiding over the taking of votes. Such notice shall also set out in detail the conditions to be met for the votes to be valid.

The person presiding over the taking of votes shall ascertain each Holder's entitlement to cast a vote based on evidence provided by such Holder and shall prepare a list of the Holders entitled to vote. If it is established that no quorum exists, the person presiding over the taking of votes may convene a meeting of the Holders. Within one year following the end of the voting period, each Holder participating in the vote may request a copy of the minutes of such vote and any annexes thereto from the Issuer.

Each Holder participating in the vote may object in writing to the result of the vote within two weeks following the publication of the resolutions passed. The objection shall be decided upon by the person presiding over the taking of votes. If the person presiding over the taking of votes remedies the objection, such person shall promptly publish the result. If the person presiding over the taking of votes does not remedy the objection, such person shall promptly inform the objecting Holder in writing.

The Issuer shall bear the costs of the vote and, if the court has convened, the costs of such proceedings.

Rules regarding Holders' Meetings applicable to Votes without Meeting

In addition, the statutory rules applicable to the convening and conduct of Holders' meetings will apply *mutatis mutandis* to any vote without a meeting. Some of these rules are summarised below.

Meetings of Holders may be convened by the Issuer or the Holders' Representative, if any. Meetings of Holders must be convened if one or more Holders holding five percent or more of the outstanding Notes so require for specified reasons permitted by statute.

Meetings may be convened not less than 14 days prior to the date of the meeting. Holders must register in advance in order to attend the meeting and exercise voting rights. The convening notice will specify what form of identification shall be required for the Holder to be admitted to, and to vote at, the meeting. The place of the meeting in respect of a German issuer is the place of the issuer's registered office, provided, however, that where the relevant Notes are listed on a stock exchange within the European Union or the European Economic Area, the meeting may be held at the place of such stock exchange.

The convening notice shall be made publicly available together with the agenda of the meeting setting out the proposals for resolution.

Each Holder may be represented by a proxy. Holders representing not less than 50 percent of the outstanding Notes by value shall constitute a quorum at the meeting or when a vote is taken without a meeting. If

the quorum of 50 percent of the outstanding aggregate principal amount of the Notes is not met, the scrutineer or the chairman, as the case may be, may convene a (second) physical meeting of the Holders at which no quorum will be required, provided that where a resolution may only be adopted by a qualified majority, a majority of at least 75 percent of the votes participating in the vote, a quorum requires the presence of at least 25 percent, of the outstanding Notes. For such (second) physical meeting the provisions set out above apply mutatis mutandis.

All resolutions adopted must be properly published. In the case of Notes represented by one or more global notes, resolutions which amend or supplement the Conditions have to be implemented by supplementing or amending the relevant global note(s).

In insolvency proceedings instituted in Germany against an Issuer, a Holders' Representative, if appointed, is obliged and exclusively entitled to assert the Holders' rights under the Notes. Any resolutions passed by the Holders are subject to the provisions of the Insolvency Code (*Insolvenzordnung*).

If a resolution constitutes a breach of the statute or the Conditions, Holders may bring an action to set aside such resolution. Such action must be filed with the competent court within one month following the publication of the resolution.

USE OF PROCEEDS

The net proceeds of the issuance of the Notes, amounting to approximately EUR 1,287,637,000, will be used for general corporate purposes.

BAYER AG

Responsibility Statement

The Responsibility Statement is set out on page iii of this Prospectus.

Independent Auditors

The independent auditor of Bayer AG is PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Friedrich-List-Str. 20, 45128 Essen, Germany ("**PwC**"), member of *Wirtschaftsprüferkammer* Berlin. PwC has audited the consolidated financial statements of Bayer AG as of and for the years ended December 31, 2013 and 2014, and has issued an unqualified auditor's report in each case.

Selected Financial Information

This selected Financial Information has been extracted, without material adjustment, from the audited consolidated financial statements of the Bayer Group as of and for the year ended December 31, 2014. These financial statements have been prepared according to the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (IASB), London, and the interpretations of the IFRS Interpretations Committee, both as endorsed by the European Union and in effect at the end of the reporting period.

	<u>As of and for the year ended</u>	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
	in million Euro	
Sales	42,239	40,157
Net income ^(a)	3,426	3,189
Net cash flow ^(b)	5,810	5,171
Total assets	70,234	51,317
Equity	20,218	20,804

^(a) Net income = Income (loss) after tax attributable to Bayer AG stockholders

^(b) Net cash provided by / used in operating activities

Risk Factors in respect of Bayer AG and the Bayer Group

For a description of certain risk factors relating to Bayer AG and the Bayer Group, see "*Risk Factors – Risk Factors in respect of Bayer AG and the Bayer Group*".

Information on Bayer AG and the Bayer Group

History and Incorporation

Bayer AG was established on December 19, 1951 under the name "Farbenfabriken Bayer Aktiengesellschaft". It was registered under German law as a stock corporation (*Aktiengesellschaft*) in the commercial register at the local court of Opladen (today the local court of Cologne) under the number HRB 1122 (today, at the local court of Cologne, under the number HRB 48248). Its name was changed to "Bayer Aktiengesellschaft" by resolution of the Meeting of the Stockholders on June 14, 1972. Bayer AG mainly operates under the laws of Germany.

The registered office of Bayer AG is at Kaiser-Wilhelm-Allee 1, 51373 Leverkusen, Germany, telephone number: +49 214 30 48334.

Investments

Acquisitions in 2014:

The total purchase price of the acquisitions made in 2014 was €13,741 million (2013: €1,441 million). The purchase prices of the acquired companies or businesses were settled mainly in cash. Total goodwill of €5,990 million (2013: €801 million) arose on these acquisitions. It related principally to the following transactions:

On March 6, 2014, CropScience completed the acquisition of all the shares of Biagro Group, a producer and distributor of biological seed treatment solutions headquartered in General Las Heras in the province of Buenos Aires, Argentina. The company operates production facilities in Argentina and Brazil. Its portfolio of established brands includes seed-applied inoculants, plant-growth-promoting microorganisms and other products for integrated pest management based on bacterial and fungal strains. The acquisition will help CropScience to build on the success of its soybean seed business in Latin America. The acquisition remains subject to the approval of the Argentinian antitrust authorities. A one-time payment and purchase price adjustment totaling €10 million were agreed upon along with potential milestone payments reflected at €6 million in the purchase price allocation. The milestone payments are mainly dependent on the achievement of certain sales targets and product approvals. The purchase price mainly pertained to the technology platform and goodwill. Sales of €6 million were recorded since the acquisition date.

In March 2014, Pharmaceuticals successfully completed the takeover offer for the shares of Algeta ASA, Oslo, Norway, and acquired 100% of the outstanding shares. Bayer issued a takeover offer for all the shares of Algeta at a price of NOK362 per share in cash on January 20, 2014. On expiration of the offer deadline, Bayer had received acceptances from Algeta shareholders representing about 98% of the share capital. On March 14, 2014, a compulsory acquisition process was carried out to obtain the remaining 2% of the shares, also at a price of NOK362 per share.

Algeta develops novel cancer therapies based on its world-leading, patented technologies. The company develops alpha-pharmaceuticals designed to target cancers using the unique properties of alpha particle radiation. HealthCare and Algeta have collaborated since 2009 to develop and commercialize radium-223 dichloride, which was approved in the United States in May 2013 under the tradename Xofigo™. The acquisition strengthens the oncology business of Pharmaceuticals. The purchase price was €1,974 million, including €35 million for the settlement of the pre-existing relationship between Algeta and Bayer. The latter amount represents the value of the advantage enjoyed by the acquirer from the contractual relationship that existed prior to the acquisition compared to current market conditions for similar collaborations. The settlement amount is reflected in other operating income and at the same time increases the consideration transferred.

The purchase price mainly pertained to an intangible asset for the product-specific radium-223 technology along with goodwill. The goodwill is mainly attributable to synergies in administration processes and infrastructure, including cost savings in the selling, research and development, and general administration functions.

On September 30, 2014, CropScience completed the acquisition of the seeds business of Granar S.A., headquartered in Encarnación, Paraguay. Granar specializes in the breeding, production and marketing of improved seed, especially soybean seed, that is adapted to the growing conditions in subtropical regions. It has a strong presence in Paraguay and Uruguay and an increasing presence in Brazil. Granar will continue to sell the seed for its own account for the 2014 / 15 sowing season. Bayer will take over marketing in 2015. Part of the agreed one-time payment of €15 million to acquire the business has been retained for disbursement over the next six years and is reflected at €2 million in the purchase price allocation.

On October 1, 2014, HealthCare completed the acquisition of the consumer care business of U.S. company Merck & Co., Inc., Whitehouse Station, New Jersey. The acquired business is primarily comprised of products in the cold, allergy, sinus & flu, dermatology (including sun care), foot health and gastrointestinal categories. The most important brands are Claritin™ (allergy), Coppertone™ (sun care), MiraLAX™ (gastrointestinal) and Afrin™ (cold), and – in North America and Latin America – Dr. Scholl's™ (foot health). These products complement Bayer's existing range of non-prescription medicines.

The acquisition significantly enhances Bayer's over-the-counter (OTC) business across multiple therapeutic categories and geographies. It gives Consumer Health the global number two position in a widely diversified sector and strong global positions in the five most important OTC segments: dermatology, gastrointestinal, sinus & flu (cold, allergy, sinus, flu), dietary supplements and pain therapy.

In those countries where the consumer care business was acquired via an asset deal, Merck & Co., Inc. will continue the sales activities in its own name for a transitional period until the marketing authorizations are transferred to Bayer or Bayer can take over the business as distributor. During this period, the economic rewards and risks will already accrue to Bayer, and Bayer will receive the operating profit on the business from Merck. The transitional period has already ended for the majority of countries.

Where the business was acquired via a share deal, Bayer purchased 100% of the respective company's shares.

Bayer paid a provisional purchase price of €11,177 million, less specific amounts that are being retained pending the receipt of antitrust approvals in the Republic of Korea and the transfer of further assets. The provisional purchase price allocation mainly comprises goodwill of €5,137 million and acquired brands valued at €5,362 million. Goodwill is largely based on cost synergies, especially in marketing and manufacturing, as well as on sales synergies resulting from the increased distribution capability and use of the global infrastructure. As expected, a goodwill amount of €3,761 million is tax-deductible. The acquired business recorded sales of €289 million in the Consumer Health segment and €7 million in the Pharmaceuticals segment since the acquisition date.

Upon closure of this acquisition, the strategic pharmaceutical collaboration agreed between Bayer and Merck & Co., Inc. in the field of soluble guanylate cyclase (sGC) modulation also came into effect. Bayer's aim in entering into the global co-development and co-commercialization agreement, which has already received antitrust clearance, is to strengthen its development potential in the cardiovascular therapeutic area. In this connection, Merck & Co., Inc. is to make payments to Bayer of up to US\$2.1 billion, comprising an up-front payment of US\$1.0 billion (€793 million) and sales milestone payments of up to US\$1.1 billion related to future joint activities with certain compounds including Adempas™ (riociguat) to treat pulmonary hypertension. The one-time payment of €793 million is to be recognized in sales and earnings over a period of 13.5 years. It includes an amount of €15 million recognized for the fourth quarter of 2014.

On November 1, 2014, Consumer Health acquired all the shares of Dihon Pharmaceutical Group Co. Ltd., Kunming, Yunnan, China. Dihon is a pharmaceutical company specializing in the manufacture and marketing of over-the-counter (OTC) and herbal traditional Chinese medicine products. A provisional purchase price of €401 million was paid, based on a purchase price adjustment mechanism. The purchase price pertained mainly to acquired trademarks and goodwill. Sales of €3 million were recorded since the acquisition date.

On December 1, 2014, CropScience completed the acquisition of land management assets in the United States, Canada, Mexico, Australia and New Zealand from E. I. DuPont de Nemours and Company, United States. The acquisition provides CropScience with access to the growing forestry and range & pasture business segments in North America. Bayer paid a provisional purchase price of €120 million. A potential milestone payment for a successful registration was agreed upon in addition. This payment was included at €18 million in the purchase price allocation. The purchase price pertained mainly to intangible assets for product-related technologies and goodwill.

Divestitures in 2014:

On August 29, 2014, Consumer Health completed the sale of the Interventional device business to Boston Scientific Corporation, Natick, Massachusetts, United States. The sale comprised the AngioJet™ thrombectomy system and the Jetstream™ atherectomy system, as well as the Fetch™2 aspiration catheter used in cardiology, radiology and peripheral vascular procedures. The total transaction price, including fees for transitional services to Boston Scientific and before working capital adjustments, was €315 million. Disregarding the transitional services, a special gain of €80 million and deferred income of €2 million were recognized.

On October 1, 2014, the strategic pharmaceutical collaboration agreed between Bayer and Merck & Co., Inc., United States, in the area of soluble guanylate cyclase (sGC) modulation came into effect. Pharmaceuticals

and Merck & Co., Inc. assumed joint control of the sGC modulators business. The collaboration agreement provides for future net cash flows to be equally shared between Bayer and Merck & Co., Inc. Of the goodwill allocated to the Pharmaceuticals segment, €173 million was derecognized through profit or loss as of the date the collaboration came into effect.

In December 2014, Consumer Health signed an agreement to sell two equine products, Legend / Hyonate and Marquis, to Merial, Inc. A sale price of US\$135 million was agreed. The transaction is subject to various conditions, including antitrust approvals, and is expected to close in the first quarter of 2015.

Capital expenditure:

In 2014, cash outflows for property, plant and equipment and intangible assets were 10% higher at €2,371 million (2013: €2,157 million) and included €832 million (2013: €809 million) at HealthCare, €686 million (2013: €538 million) at CropScience and €605 million (2013: €559 million) at MaterialScience. Bayer has budgeted capital expenditures of about €2.3 billion for property, plant and equipment and €0.3 billion for intangible assets.

The financial management of the Bayer Group is conducted by the strategic management holding company Bayer AG. Capital is a global resource, generally procured centrally and distributed within the Group. The Group had cash and cash equivalents of €1,853 million as of December 31, 2014. Further potential sources of liquidity are bonds (including issuances under this Programme), syndicated credit facilities (including an undrawn €3.5 billion facility available until 2019, plus a one-year extension option), bilateral loan agreements and a US\$8 billion global commercial paper program.

Business Overview

Principal activities

Bayer is a global enterprise with core competencies in the areas of health care, agriculture and high-tech polymer materials.

Bayer HealthCare is a world-leading innovation company in the area of prescription medicines and consumer products. This subgroup researches, develops, manufactures and markets products to improve the health of people and animals.

Bayer CropScience is one of the world's leading research-intensive companies in the agricultural industry, offering a broad range of innovative chemical and biological products for improving plant health, along with high-value seeds. It also provides extensive customer service to support modern, sustainable agriculture. A further focus is on non-agricultural applications.

Bayer MaterialScience is a renowned supplier of high-tech polymers and develops innovative product solutions for a wide variety of everyday uses. Products holding leading positions on the world market account for a large proportion of its sales.

Bayer AG, the strategic management holding company for the Bayer Group, and the subgroups are supported in their activities by the three service companies Bayer Business Services (IT infrastructure and applications, procurement and trade services, personnel services, finance and accounting as well as management consulting), Bayer Technology Services (engaged in process development and in process and plant engineering, construction and optimization) and Currenta (a joint venture between Bayer and Lanxess Deutschland GmbH, offering services including utility supply, waste management, infrastructure, safety, security, analytics and vocational training).

Principal Markets

Bayer's Pharmaceuticals segment supplies prescription products. Bayer's range of cardiovascular products includes the anticoagulant Xarelto™, Adalat™ to treat hypertension and coronary heart disease, and Aspirin™ Cardio for secondary prevention of heart attacks. The product portfolio in women's healthcare

comprises contraceptives such as YAZ™ / Yasmin™ / Yasminelle™, Mirena™ and the Essure™ procedure. Bayer also offers specialty pharmaceuticals that are mainly prescribed by specialist physicians, including Kogenate™ for people with hemophilia A, Betaferon™ / Betaseron™ to treat multiple sclerosis, the cancer drugs Nexavar™, Stivarga™ and Xofigo™, the eye medicine Eylea™, and Adempas™ to treat two forms of pulmonary hypertension. Bayer's pharmaceutical products are primarily distributed through wholesalers, pharmacies and hospitals. Co-promotion and co-marketing agreements serve to optimize Bayer's distribution network.

The Consumer Care Division specializes in over-the-counter (OTC) medicines – those available without a prescription – and is the second-leading supplier in the global OTC market with a portfolio covering all the major therapeutic areas. Bayer's offering includes the pain relievers Aspirin™ and Aleve™ and the OTC medical skincare products Bepanthen™ / Bepanthol™ and Canesten™. The product range also includes cough-and-cold and allergy products such as Alka-Seltzer Plus™ and Claritin™, nutritionals such as One A Day™, Berocca™ and Supradyn™, and products to treat gastrointestinal complaints, such as Miralax™ and Rennie™. Other OTC products include Coppertone™ sunscreen products and Dr. Scholl's™ foot care products. Bayer also offers prescription dermatology products. The division's sales and distribution channels are generally pharmacies, with supermarket chains and other large retailers also playing a significant role in certain important markets such as the United States.

In the Medical Care Division Bayer offers blood glucose monitoring devices such as Contour™. Bayer also markets the Contour™ USB meter, which features integrated diabetes management software and direct plug-in to computers. Outside Europe, these products are generally sold to consumers through pharmacies, drugstores, mass merchants, hospitals or wholesalers. In Europe, they are sold mainly through pharmacies. Bayer is among the principal players in the area of blood glucose meters and is also one of the leading suppliers of contrast agent injection systems for diagnostic and therapeutic medical procedures in X-ray, computed tomography and magnetic resonance imaging. Examples from Bayer's portfolio of contrast agents for diagnostic imaging are Ultravist™, Gadovist™ / Gadavist™ and Magnevist™. Bayer's products are marketed to radiologists, cardiologists and other specialists in medical imaging in hospitals and out-patient clinical sites through a global direct sales organization, supplemented in some cases by local distributors.

The Animal Health Division offers an extensive portfolio of animal health products for farm and companion animals. Depending on local regulatory frameworks, Bayer markets its products through veterinarians and other distribution channels such as pharmacies or retail stores. Bayer's Advantage™ family of products protects dogs and cats from parasite infestation and supports Bayer's number two position in the parasiticides market. The innovative Seresto™ collar provides dogs and cats with lasting protection against parasites through a modern system for controlled release of the active ingredients and reinforces Bayer's leading market position. Other important products include Baytril™ and Veraflox™ for the control of infectious diseases, the Drontal™ line of wormers, and Baycox™ to treat coccidiosis in livestock.

The Crop Protection business is based on a broad portfolio of highly effective herbicides, fungicides, insecticides and seed treatment products with chemical or biological modes of action. Its innovation capability and long years of experience with crop protection products have placed Bayer among the leading companies in the world. Bayer's Crop Protection products are primarily marketed through two- or three-step distribution systems, either via wholesalers or directly to retailers. Bayer also sells products directly to customers in selected markets where farmers and market conditions require this mode of distribution.

The activities of the Seeds unit are focused on the crops cotton, oilseed rape / canola, rice, soybeans and vegetables. Bayer markets high-value seeds based on Bayer's own research and breeding expertise. In its core crops, Bayer has achieved strong market positions and is internationally represented. Bayer's seeds are sold to growers, plant raisers, specialist retailers and the processing industry. Plant traits developed using modern breeding methods are either incorporated into Bayer's own seed varieties or licensed to other seed companies.

The products of Bayer's Environmental Science operating segment are based on both proprietary and inlicensed active ingredients and designed for non-agricultural uses. Bayer markets pest control and plant care products both to private customers in the home and garden sector and to professional users in the green industry (including public parks and golf courses), forestry, professional pest control and public health (vector control to combat malaria and dengue fever). CropScience ranks among the world's leading suppliers of crop protection products for non-agricultural uses. The Environmental Science products are mainly sold through wholesalers and specialist retailers. A large part of Bayer's business in the area of vector control is transacted in response to

tendering by government agencies and non-governmental organizations.

One of the world's largest polymer companies, MaterialScience is a manufacturer and supplier of precursors for rigid and flexible foams, plastic granules, and raw materials for coatings and adhesives. The subgroup holds leading competitive positions in these product groups. Bayer also manufactures and markets plastic sheets, functional films and selected inorganic basic chemicals. The latter serve as raw materials for the manufacture of Bayer products. Others are generated as by-products of Bayer's production and sold to external customers.

Bayer's products are used mainly in the automotive, construction, electrical / electronics, furniture, wood, textile, sports and leisure goods, medical equipment and chemical industries.

Rigid or flexible polyurethane foams based on Bayer's diphenylmethane diisocyanate (MDI), toluene diisocyanate (TDI) or polyether (PET) raw materials have found a broad range of applications in a variety of industries. Automotive uses include the manufacture of car seats and components. They are also used in the construction industry and the refrigeration chain as insulating materials, and in the furniture industry for cushioning and mattresses.

Bayer's polycarbonates are marketed as granules (Makrolon™, APEC™, Makroblend™, Bayblend™), sheet and films. Their uses include electrical appliance housings, CDs / DVDs, roof structures and automotive headlamps.

The Coatings, Adhesives, Specialties business unit manufactures raw materials for car and commercial vehicle coatings and for footwear and textile adhesives, for example. Specialties include films used in ID and credit cards, along with raw materials for cosmetic and medical products.

Bayer markets its products mostly through regional and local distribution channels. Here three regional Supply Chain Centers serve as the central link to the customer. Bayer makes use of e-commerce platforms and other channels for order processing. Bayer also works with trading houses and local distributors who are responsible for business with small customers. Major customers with global operations are serviced directly by Bayer's key account managers.

Organizational Structure

Bayer AG, headquartered in Leverkusen, Germany, acts as a strategic management holding company and is the ultimate parent company of the Bayer Group. The Board of Management of Bayer AG defines the long-term goals and the strategies for the Group, its subgroups and its service companies, and sets forth the principles and directives for the resulting corporate policies. It coordinates and monitors the most important activities, defines the portfolio, develops and deploys managerial staff, allocates resources and decides on the Group's financial steering and reporting.

Business operations are conducted by the HealthCare, CropScience and MaterialScience subgroups, supported by three service companies.

For more information on Bayer's business activities, refer to "*Business Overview of Bayer AG and the Bayer Group*".

Subsidiaries

The Bayer Group and its audited consolidated financial statements as of and for the year ended December 31, 2014 included 302 consolidated companies.

The following table lists Bayer AG's material consolidated subsidiaries as of December 31, 2014 and its beneficial ownership interest in each.

Company Name and Place of Business	Bayer's Interest (percent)
Germany	
Bayer Animal Health GmbH, Leverkusen	100
Bayer Business Services GmbH, Leverkusen	100
Bayer CropScience AG, Monheim am Rhein	100
Bayer CropScience Deutschland GmbH, Langenfeld	100
Bayer Intellectual Property GmbH, Monheim am Rhein	100
Bayer MaterialScience AG, Leverkusen	100
Bayer Pharma AG, Berlin	100
Bayer Technology Services GmbH, Leverkusen	100
Bayer Vital GmbH, Leverkusen	100
Currenta GmbH & Co. OHG, Leverkusen	60
Jenapharm GmbH & Co. KG, Jena	100
Other European Countries	
Bayer (Schweiz) AG, Switzerland	100
Bayer A/S, Denmark	100
Bayer Antwerpen NV, Belgium	100
Bayer Austria Gesellschaft m.b.H., Austria	100
Bayer B.V., Netherlands	100
Bayer Capital Corporation B.V., Netherlands	100
Bayer Consumer Care AG, Switzerland	100
Bayer CropScience Limited, U.K.	100
Bayer CropScience NV, Belgium	100
Bayer CropScience, S.L., Spain	100
Bayer CropScience S.r.l., Italy	100
Bayer HealthCare Manufacturing S.r.l., Italy	100
Bayer HealthCare SAS, France	100
Bayer Hellas A.G., Greece	100
Bayer Hispania, S.L., Spain	100
Bayer Hungária Kft., Hungary	100
Bayer International SA, Switzerland	100
Bayer Ltd., Ukraine	100
Bayer MaterialScience, S.L., Spain	100
Bayer MaterialScience S.r.l., Italy	100
Bayer Nordic SE, Finland	100
Bayer NV, Belgium	100
Bayer Oy, Finland	100
Bayer Public Limited Company, U.K.	100
Bayer S.A.S., France	100
Bayer S.p.A., Italy	100
Bayer Sp. z o.o., Poland	100
SC Bayer SRL, Romania	100
ZAO Bayer, Russia	100
North America	
Bayer Business and Technology Services LLC, United States	100
Bayer Corporation, United States	100

Bayer CropScience Inc., Canada	100
Bayer CropScience LP, United States	100
Bayer East Coast LLC, United States	100
Bayer HealthCare LLC, United States	100
Bayer HealthCare Pharmaceuticals Inc., United States	100
Bayer Inc., Canada	100
Bayer MaterialScience LLC, United States	100
Bayer Medical Care Inc., United States	100
Bayer West Coast Corporation, United States	100
Bayer PO LLC, United States	100
MSD Consumer Care, Inc.	100

Asia / Pacific

Bayer Australia Limited, Australia	100
Bayer CropScience (China) Company Ltd., China	100
Bayer CropScience K.K., Japan	100
Bayer CropScience Limited, India	68.9
Bayer CropScience Pty Limited, Australia	100
Bayer HealthCare Co. Ltd., China	100
Bayer Korea Ltd., South Korea	100
Bayer MaterialScience (China) Company Limited, China	100
Bayer MaterialScience Limited, Hong Kong, China	100
Bayer MaterialScience Private Limited, India	100
Bayer Taiwan Company Ltd., Taiwan	100
Bayer Thai Co., Ltd., Thailand	100
Bayer Yakuhin, Ltd., Japan	100
Sumika Bayer Urethane Co., Ltd., Japan	60

Latin America / Africa / Middle East

Bayer (Proprietary) Limited, South Africa	100
Bayer de México, S.A. de C.V., Mexico	100
Bayer S.A., Argentina	100
Bayer S.A., Brazil	100
Bayer S.A., Chile	100
Bayer S.A., Colombia	100
Bayer S.A., Venezuela	100
Bayer Türk Kimya Sanayii Limited Sirketi, Turkey	100

The following associates and joint ventures were accounted for in the consolidated financial statements using the equity method:

Company Name and Place of Business	Bayer's Interest (percent)
Associated companies	
Nanjing Baijingyu Pharmaceutical Co., Ltd., China	15
Paltough Industries (1998) Ltd., Israel	25
PO JV, LP, United States	39.7
Joint ventures	
Bayer IMSA, S.A. de C.V., Mexico	50

Bayer Zydus Pharma Private Limited, India
DIC Bayer Polymer Ltd., Japan

50
50

Trend Information

Bayer's growth could be impeded by increasing global cost pressure on health systems. Pharmaceutical products are subject to regulatory price controls and regulations in many markets, and government reimbursement systems often favor less expensive generic medicines over branded products. In addition, in some markets, major suppliers in the health care sector can exert substantial pressure on prices. Price controls and pricing pressure reduce earnings from Bayer's pharmaceutical products and may occasionally make the market launch of a new product unprofitable.

According to Bayer's assessment, the current extent of regulatory controls and market pressures on pricing will persist or increase. Changes with respect to price development and governmental price controls in Bayer's key markets are continuously monitored. Depending on the intensity of such price controls and the pressure on prices, it could be necessary to adjust Bayer's business model.

The expectations of the public and the regulatory authorities with regard to the safety and efficacy of chemical and pharmaceutical products are constantly rising. Against this background, Bayer continues to anticipate increasing regulatory requirements for clinical or (eco)toxicological studies, for example. This increases product development costs and the time it takes to obtain registration or marketing approval.

A large proportion of Bayer's products, especially in the Life Science businesses, is covered by patents. Generic manufacturers, in particular, attempt to contest patents prior to their expiration. Sometimes a generic version of a product may even be launched "at risk" prior to the issuance of a final patent decision. When a patent defense is unsuccessful, or if one of Bayer's patents expires, prices are likely to come under pressure because of increased competition from generic products entering the market.

For MaterialScience, an economic downturn, changes in competitors' behavior or the market entry of new competitors can lead to a more intense competitive situation characterized by overcapacities and increased pressure on prices.

The Bayer Group requires significant quantities of energy and petrochemical feedstocks for its production processes. Procurement prices for energy and raw materials may fluctuate significantly. Experience has shown that higher production costs cannot always be passed on to customers through price adjustments. This applies especially to MaterialScience.

Subject to the above, there has been no material adverse change in the prospects of the Bayer Group since the end of the last reporting period ended December 31, 2014. There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the prospects of the Bayer Group for at least the current financial year.

Directors and Senior Management

In accordance with the German Stock Corporation Act (*Aktiengesetz*, "**AktG**"), Bayer AG has both a board of management (*Vorstand*) (the "**Board of Management**") and a supervisory board (*Aufsichtsrat*) (the "**Supervisory Board**"). The Board of Management is responsible for the management of Bayer's business; the Supervisory Board supervises the Board of Management and appoints its members. The two boards are separate, and no individual may simultaneously be a member of both boards.

Board of Management

The following table shows the members of Bayer's current Board of Management, their ages and positions and the years in which their current terms expire.

<u>Name and Age</u>	<u>Position</u>	<u>Current Term Expires</u>
Dr. Marijn Dekkers (57)	Chairman	2016
Werner Baumann (52)	Member	2017
Johannes Dietsch (53)	Member	2017
Michael König (51)	Member	2016
Kemal Malik (52)	Member	2017

Dr. Marijn Dekkers became Chairman of the Board of Management of Bayer AG in October 2010. Before joining Bayer AG, Mr. Dekkers was President and CEO of the U.S. laboratory equipment manufacturer Thermo Fisher Scientific Inc., Waltham, Massachusetts. From 1985 to 1995 Mr. Dekkers held a number of management positions with General Electric, both in the United States and The Netherlands. In 1995 Mr. Dekkers joined Allied Signal (subsequently Honeywell International Inc.) in Morristown, New Jersey, where he headed this company's Specialty Films and Fluorine Chemicals business groups and then, until 1999, the Electronic Materials division in San José in California's Silicon Valley. Since 2012 Mr. Dekkers has served as a member of the Board of Directors of General Electric Company.

Werner Baumann joined the Board in January 2010. Prior to joining the Board, Mr. Baumann served in various positions with increasing responsibilities in Leverkusen, Barcelona (Spain) and Tarrytown, New York. In 2002, Mr. Baumann became a member of the Executive Committee and Head of Central Administration & Organization at Bayer HealthCare. In 2003 he was appointed a member of the Board of Management of the newly formed subgroup Bayer HealthCare AG. From 2006 to 2009 he also served as a member of the Board of Management and Labor Director of Bayer Pharma AG. Mr. Baumann has served as chairman of the supervisory boards of Bayer CropScience AG and Bayer MaterialScience AG.

Johannes Dietsch joined Bayer as a commercial trainee in 1981. On completion of his training in 1984, he held a number of management positions in various departments within the company. He gained several years of overseas experience during two assignments at Bayer Japan, Ltd., latterly as Chief Financial Officer in finance and administration. In 2001 Dietsch was made Head of Corporate Finance in the Finance Division, becoming Head of Finance in the Corporate Center of Bayer AG on July 1, 2002. His area of responsibility included Treasury, Corporate Finance, Financial Controlling, Asset Management Pensions, Mergers & Acquisitions and Taxes. In September 2011, he was appointed as Senior Bayer Representative and CFO for Greater China at Bayer China in Shanghai. Mr. Dietsch joined the Board in September 2014. Since October 2014 he has served as chairman of the supervisory board of Bayer Business Services GmbH.

Mr. Michael König began his career at Bayer AG in 1990 as a process engineer for chemicals projects in Europe. After serving in positions of increasing responsibility, he transferred to China in 2000 to become General Manager of Bayer Polymers Shanghai Co. Ltd. There he led the first negotiations on the construction of the new production site, the Bayer Integrated Site Shanghai, and was made site manager in 2002. Having first served as Global Head of Production and Technology Isocyanates at Bayer MaterialScience, König became Senior Bayer Representative for the Greater China country group and Senior Country Representative for Bayer MaterialScience in China in 2007. He was Head of Bayer MaterialScience's Polycarbonates Business Unit, headquartered in Shanghai, from 2011 until his appointment to the Bayer Board of Management in 2013. He was also the member of the Bayer MaterialScience Executive Committee responsible for the Asia/Pacific region. Mr. König is chairman of the supervisory boards of Bayer HealthCare AG, Bayer Pharma AG, Bayer Technology Services GmbH and Currenta Geschäftsführungs-GmbH.

Mr. Kemal Malik joined Bayer in 1995 as Head of Metabolism and Oncology Europe in the then Pharmaceuticals Business Group. He subsequently served as Head of Global Medical Development before being appointed Head of Global Development. Kemal Malik was a member of the Executive Committee of Bayer HealthCare AG from 2007 until his appointment to the Board of Management of Bayer AG in February 2014. He was also Head of Global Development and Chief Medical Officer in the Pharmaceuticals Division. Before joining Bayer, Mr. Malik studied medicine at Charing Cross and Westminster Medical School (University of London), graduating as a Bachelor of Medicine, Bachelor of Surgery (MBBS) in 1987. Malik subsequently spent

several years in clinical medicine at the Northwick Park Clinical Research Centre and at Hammersmith Hospital, London. He then held various positions of increasing responsibility in medical affairs and clinical development at Bristol-Myers Squibb in the United Kingdom.

Supervisory Board

The following table shows the current members of Bayer's Supervisory Board, their principal occupations, the year in which they were first elected or appointed and memberships they held as per December 31, 2014, or held in the course of the financial year 2014, on the supervisory boards of other companies that are required by German law to have a supervisory board or comparable governance body. Employee representatives are identified by an asterisk.

<u>Name</u>	<u>Position</u>	<u>Principal Occupation</u>	<u>First Elected</u>	<u>Membership on other Supervisory Boards</u>
Werner Wenning	Chairman	Chairman of the Supervisory Board of Bayer AG and Chairman of the Supervisory Board of E.ON SE	2012	E.ON SE (Chairman), Henkel Management AG , Siemens AG (Vice Chairman), Henkel AG & Co. KGaA (Member of the Shareholders' Committee)
*Thomas de Win	Vice Chairman	Chairman of the Bayer Group Works Council, Chairman of the Bayer Central Works Council (until February 2015)	2002	Bayer MaterialScience AG
Dr. Paul Achleitner.....	Member	Chairman of the Supervisory Board of Deutsche Bank AG	2002	Daimler AG, Deutsche Bank AG (Chairman), Henkel AG & Co. KG (Member of the Shareholders' Committee)
Dr. rer. nat. Simone Bagel-Trah	Member	Chairman of the Supervisory Board of Henkel AG & Co. KGaA and Henkel Management AG and Shareholders' Committee of Henkel AG & Co. KGaA	2014	Henkel AG & Co. KGaA (Chairman), Heraeus Holding GmbH, Henkel AG & Co. KGaA (Chairman of the Shareholders' Committee)
Dr. Clemens Börsig.....	Member	Member of various supervisory boards	2007	Daimler AG, Emerson Electric Co., Linde AG, Istituto per le Opere di Religione (Member of the Board of Superintendence) (effective July 2014)
*André van Broich	Member	Chairman of the Works Council of the Dormagen site of Bayer	2012	Bayer CropScience AG
Thomas Ebeling	Member	Chief Executive Officer of ProSiebenSat. 1 Media AG	2012	Lonza Group AG
*Dr.-Ing.Thomas Fischer	Member	Chairman of the Group Managerial Employees' Committee of Bayer	2005	Bayer MaterialScience AG

*Peter Hausmann	Member	Member of the Executive Committee of the German Mining, Chemical and Energy Industrial Union	2006	Continental AG, Henkel AG & Co. KGaA, 50Hertz Transmission GmbH, Vivawest Wohnen GmbH
*Reiner Hoffmann.....	Member	Chairman of the German Trade Union Confederation	2006	Evonik Services GmbH (Vice Chairman) (until June 2014), SASOL Germany GmbH (Vice Chairman) (until October 2014)
*Yüksel Karaaslan	Member	Chairman of the Works Council of the Berlin site of Bayer	2012	Bayer Pharma AG
*Petra Kronen.....	Member	Chairman of the Works Council of the Uerdingen site of Bayer	2000	Bayer MaterialScience AG (Vice Chairman)
Dr. rer. nat. Helmut Panke.....	Member	Member of various supervisory boards	2007	Microsoft Corporation, Singapore Airlines Limited, UBS AG
Sue H. Rataj	Member	Member of the Board of Directors (non-executive) of Cabot Corporation	2012	–
*Petra Reinbold-Knape	Member	Northeast District Secretary of the German Mining, Chemical and Energy Industrial Union	2012	envia Mitteldeutsche Energie AG, Vattenfall Europe Generation AG, MDSE Mitteldeutsche Sanierungs- und Entsorgungsgesellschaft mbH Bayer Pharma AG (until May 2014)
*Michael Schmidt-Kießling.....	Member	Chairman of the Works Council of the Elberfeld site of Bayer	2012	Bayer Pharma AG (until May 2014)
Dr. Klaus Sturany ¹	Member	Member of various supervisory boards	2007	Hannover Rückversicherung AG (Vice Chairman), Sulzer AG
Prof. Dr. Dr. h.c. Otmar D. Wiestler		Chairman and Scientific Member of the Management Board of the German Cancer Research Center	2014	
Prof. Dr. Dr. h.c. mult. Ernst-Ludwig Winnacker	Member	Secretary General of the Human Frontier Science Program (Strasbourg)	1997	Wacker Chemie AG
*Oliver Zühlke	Member	Chairman of the Bayer Central Works Council (effective February 2015), Chairman of the Works Council of the Leverkusen site of Bayer, Chairman of the Bayer European Forum	2007	Bayer Pharma AG (effective May 2014)

* Employee representatives

¹ Independent expert member pursuant to Section 5 of § 100 of the AktG.

The business address of each member of the Board of Management and the Supervisory Board is Bayer Aktiengesellschaft, Kaiser-Wilhelm-Allee 1, 51373 Leverkusen, Germany.

There are no potential conflicts of interest between any duties of the members of the Board of Management or the Supervisory Board toward Bayer and their respective private interests and/or other duties.

Board Practices

In accordance with the AktG, Bayer AG has both a Board of Management (*Vorstand*) and a Supervisory Board (*Aufsichtsrat*). The Board of Management is responsible for the management of Bayer's business; the Supervisory Board oversees the work of the Board of Management and appoints its members. The two boards are separate, and no individual may simultaneously be a member of both boards.

Both the members of the Board of Management and the members of the Supervisory Board owe a duty of loyalty and care to Bayer AG. In exercising their duties, the applicable standard of care is that of a diligent and prudent businessperson. Both the members of the Board of Management and the members of the Supervisory Board must take into account a broad range of considerations when making decisions, including the interests of Bayer AG and its stockholders as well as of its employees and creditors.

The members of the Board of Management and the Supervisory Board may be held personally liable to Bayer AG for breaches of their duties of loyalty and care. Bayer AG must bring an action for breach of duty against the Board of Management or Supervisory Board upon a resolution of the stockholders passed at a Stockholders' Meeting by a simple majority of the votes cast. Furthermore, minority shareholders representing at least 1 percent of the company's share capital or shares with a nominal value of €100,000 can file an application in court requesting an action to be admitted against members of either of the company's boards on behalf of the company or in their own name.

With the exception of stockholders of companies that (unlike Bayer AG) are under the control of another company, individual stockholders of German companies cannot sue directors on behalf of the company in a manner analogous to a stockholder's derivative action under U.S. law. Under German law, directors may be liable for breach of duty to stockholders (as opposed to a duty to the company itself) only where a breach of duty to the company also constitutes a breach of a statutory provision enacted specifically for the protection of stockholders. In practice, stockholders are able to assert liability against directors for breaches of this sort only in unusual circumstances. The German Securities Trading Law (*Wertpapierhandelsgesetz*; "WpHG") provides for damage claims of stockholders against the issuer under certain circumstances, if the issuer violates the provisions on publication of insider information with intent or gross negligence.

Board of Management

The Board of Management is responsible for managing the business of Bayer AG in accordance with the AktG and Bayer AG's Articles of Incorporation. It also represents Bayer AG in its dealings with third parties and in court. According to the Articles of Incorporation, the Board of Management consists of a minimum of two members. The Supervisory Board determines the number of and appoints the members of the Board of Management. Members of the Board of Management are appointed for a maximum term of five years and are eligible for reappointment after the completion of their term in office.

Bayer AG is legally represented by two members of the Board of Management acting together, or by one member of the Board of Management together with a person possessing a special power of attorney (*Prokura*).

The Board of Management must report regularly to the Supervisory Board, particularly on proposed business policy and strategy, on profitability and on the current business of Bayer AG, as well as on any exceptional matters that may arise from time to time. If not otherwise required by law, the Board of Management makes decisions by a simple majority of the votes cast. In case of deadlock, the chairman has the casting vote.

Under certain circumstances, such as a serious breach of duty or a vote of no confidence by the

stockholders at an Annual Stockholders' Meeting, a member of the Board of Management may be removed by the Supervisory Board prior to the expiration of his/her term. A member of the Board of Management may not deal with, or vote on, matters relating to proposals, arrangements or contracts between him/herself and Bayer AG.

Individual members of the Board of Management serve as representatives with primary responsibility for Bayer's various corporate functions and as representatives for the various geographic regions in which Bayer operates.

Supervisory Board

Under the AktG, the German Co-Determination Act (*Mitbestimmungsgesetz*) of 1976 and Bayer's Articles of Incorporation, the Supervisory Board consists of 20 members. The principal function of the Supervisory Board is to oversee the work of the Board of Management and to appoint its members. The Supervisory Board oversees Bayer's business policy, corporate planning and strategy. It also approves the annual budget as well as the financial statements of Bayer AG and the consolidated financial statements of the Bayer Group. The Supervisory Board may not make management decisions, but the Board of Management's Rules of Procedure (*Geschäftsordnung*) require the prior consent of the Supervisory Board for specified transactions above a specified threshold, including:

- the acquisition or disposition of assets;
- the acquisition, disposition or encumbrance of real property;
- the acquisition or disposition of Bayer AG shares; and
- the issuance of bonds, conclusion of credit agreements, or grant of guarantees, sureties (*Bürgschaften*) or loans, except to subsidiaries.

Bayer's stockholders elect ten members of the Supervisory Board at the Annual Stockholders' Meeting. Pursuant to the Co-Determination Act of 1976, Bayer's employees elect the remaining ten members. The term of a Supervisory Board member expires at the end of the Annual Stockholders' Meeting in which the stockholders ratify the actions of the Supervisory Board members for the fourth fiscal year following the year in which the member was elected. There is no compulsory retirement age for members of the Supervisory Board. However, in accordance with the German Corporate Governance Code, Supervisory Board members are encouraged to retire at the Annual Stockholders' Meeting following the member's 72nd birthday.

Any member of the Supervisory Board elected by the stockholders at the Annual Stockholders' Meeting may be removed by a vote of at least three quarters of the votes cast by the stockholders in such meeting. Any member elected by the employees may be removed by a majority of three quarters of the votes cast by the employees. Unless otherwise required by law or by the Articles of Incorporation of Bayer AG, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. According to the Articles of Incorporation, in the case of a deadlock, a second vote is held in which the chairman of the Supervisory Board is entitled to one additional vote. In order to constitute a quorum, at least half of the total members of the Supervisory Board must participate in the voting.

Currently, the Supervisory Board has the following committees:

- The Presidial Committee (*Präsidium*) was established pursuant to § 27 (3) of the Co-Determination Act and consists of the chairman and vice chairman of the Supervisory Board, as well as of one stockholder representative and one employee representative. It serves as Bayer's mediation committee (*Vermittlungsausschuss*) with respect to nominations to the Board of Management. The purpose of this committee is to nominate persons for election to the Board of Management by a simple majority of the votes of the Supervisory Board in the event that the Supervisory Board is unable to appoint members of the Board of Management with the votes of at least a two thirds majority of the Supervisory Board. Pursuant to § 9(2) of the Rules of Procedure (*Geschäftsordnung*) of the Supervisory Board, the Presidial Committee also prepares the general meetings of the full Supervisory Board. The current members of the Presidial Committee are Mr. Wenning (chairman),

Mr. Achleitner, Mr. Hausmann and Mr. de Win.

- The Human Resources Committee (*Personalaussschuss*) was established pursuant to § 10 of the Rules of Procedure of the Supervisory Board. The Human Resources Committee consists of four members of the Supervisory Board. The chairman of the Supervisory Board acts as chairman of the Human Resources Committee. The main responsibility of the Human Resources Committee is the determination of the salary and other conditions of service of Board of Management members, the legal representation of Bayer AG in matters concerning Board of Management members pursuant to § 112 AktG, the approval of agreements with Supervisory Board members pursuant to § 114 AktG and the approval of loans granted to Supervisory Board and Board of Management members and other persons pursuant to § 89 and § 115 AktG. The current members of the Human Resources Committee are Mr. Wenning (chairman), Mr. Achleitner, Ms. Kronen and Mr. Zühlke.
- The Audit Committee (*Prüfungsausschuss*) was established pursuant to § 11 of the Rules of Procedure of the Supervisory Board. The Audit Committee consists of six members of the Supervisory Board. The main responsibilities of the Audit Committee are oversight of financial accounting, risk management, the preparation of the resolutions of the Supervisory Board with respect to the annual financial statements, the review of all non-audit services to be performed by the independent auditor, oversight over the independent auditors including scope of services, fees and schedules, the direct receipt of the audit reports, and the direct receipt of reports on any accounting irregularities. The current members of the Audit Committee are Mr. Sturany (chairman), Mr. Fischer, Mr. Hoffmann, Mr. Panke, Mr. Wenning and Mr. de Win.
- In 2007, a Nominations Committee (*Nominierungsausschuss*) was established in line with the recommendation in the German Corporate Governance Code of June 2007 to carry out preparatory work when an election of stockholder representatives to the Supervisory Board is to be held. It suggests suitable candidates for the Supervisory Board to propose to the Annual Stockholders' Meeting for election. The Nominations Committee comprises the Chairman of the Supervisory Board and the other stockholder representative on the Presidial Committee. The current members of the Nominations Committee are Mr. Wenning (chairman) and Mr. Achleitner.

Under § 161 AktG, the Board of Management and the Supervisory Board of Bayer AG are required to issue an annual declaration that the company has been, and is, in compliance with the recommendations of the "Government Commission on the German Corporate Governance Code" (the "**Corporate Governance Code**") as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (*Bundesanzeiger*), or to advise of any recommendations that have not been, or are not being, applied and the reasons for this. An annual declaration was last issued in December 2014, the Board of Management and the Supervisory Board of Bayer AG declared as follows:

"With respect to the past, the following declaration refers to the May 13, 2013 version of the Corporate Governance Code. With respect to present and future corporate governance practices at Bayer AG, the following declaration refers to the recommendations in the June 24, 2014 version of the Corporate Governance Code.

Pursuant to § 161 AktG, the Board of Management and Supervisory Board of Bayer AG hereby declare as follows:

1. The company has been in compliance with the recommendations of the Corporate Governance Code since issuance of the last annual compliance declaration in December 2013.
2. All the recommendations of the Corporate Governance Code are now being complied with in full."

No further declaration has been issued since December 2014.

Major Shareholders

Under Bayer AG's Articles of Incorporation, each of Bayer AG's shares represents one vote. Major shareholders do not have different voting rights. As of December 31, 2014 there are 826,947,808 shares

outstanding.

Under the WpHG, holders of voting securities of a listed German company must notify that company of the level of their holding whenever it reaches, exceeds or falls below specified thresholds. The thresholds are 3, 5, 10, 15, 20, 25, 30, 50 and 75 percent of the company's outstanding voting securities.

For details of the history of notifications received by Bayer AG where holders exceeded or fell below any of the statutory notification thresholds mentioned above refer to <http://www.investor.bayer.com/en/stock/ownership-structure/voting-rights-announcements/>.

Based on notifications received by Bayer AG pursuant to Section 21 Paragraph 1 of the WpHG through February 17, 2015, as of that date, Bayer AG is not aware of any shareholder owning ten percent or more of Bayer AG's outstanding shares.

To Bayer AG's knowledge, Bayer AG is not directly or indirectly owned or controlled by another corporation, by any government, or by any other natural or legal person severally or jointly, and there are no arrangements which may result in a change of control.

Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profit and Losses

The audited consolidated financial statements of the Bayer Group as of and for the years ended December 31, 2014 and 2013 are incorporated by reference into this Prospectus, see "*Incorporation by Reference*". Selected financial information appears in section "*Selected Financial Information*".

Accounting policies and explanatory notes

For Bayer's accounting policies and explanatory notes for the reporting period ended December 31, 2014, please refer to the notes to the audited consolidated financial statements of the Bayer Group as of and for the year ended December 31, 2014 incorporated by reference into this Prospectus, see "*Incorporation by Reference*".

Consolidated Financial Statements - Full year 2014 (audited)

Overview of Sales, Earnings and Financial Position

Group sales advanced by 7.2% on a currency- and portfolio-adjusted basis (Fx & portfolio adj.) to €42,239 million (reported: + 5.2%; 2013: €40,157 million). All subgroups contributed to this increase. Sales of HealthCare improved by 7.5% (Fx & portfolio adj.; reported: + 5.6%). CropScience sales gained 11.2% (Fx & portfolio adj.; reported: + 7.7%) against the prior year. Sales at MaterialScience grew by 4.8% (Fx & portfolio adj.; reported: + 3.7%).

EBIT of the Bayer Group rose by 11.6% to €5,506 million (2013: €4,934 million) after net special charges of €438 million (2013: €839 million). The special charges mainly included €173 million for the derecognition of goodwill as a result of the sGC collaboration agreement with Merck & Co., Inc, United States, €153 million in integration costs for acquired businesses, and €89 million in accounting measures for litigations. These amounts were partly offset by a one-time net gain of €77 million from the sale of Bayer's Interventional device business to Boston Scientific, United States. EBIT before special items rose by 3.0% to €5,944 million (2013: €5,773 million).

EBITDA before special items increased by 4.9% to €8,812 million (2013: €8,401 million) despite negative currency effects of approximately €410 million or 4%. The good sales development was accompanied by higher selling and R&D expenses. At HealthCare, EBITDA before special items improved by 2.8% to €5,484 million (2013: €5,334 million; currency effect approx. minus 6%). While earnings of the Pharmaceuticals segment improved, those of Consumer Health declined. EBITDA before special items of CropScience rose by 5.0% to €2,360 million (2013: €2,248 million; currency effect approx. minus 2%) as a result of volume gains and higher selling prices. EBITDA before special items of MaterialScience advanced by 10.7% to €1,187 million

(2013: €1,072 million; currency effect 0%), mainly thanks to higher volumes and lower raw material and energy costs.

The cost of goods sold increased by 3.8% to €20,266 million, mainly due to higher volumes at HealthCare and MaterialScience. The ratio of the cost of goods sold to total sales was 48.0% (2013: 48.6%). The selling expenses of €11,018 million (+ 6.8%) amounted to 26.1% of sales (2013: 25.7%). Research and development (R&D) expenses rose in 2014 by 4.9% to €3,574 million, the increase being attributable to HealthCare and CropScience. The ratio of R&D expenses to sales remained level at 8.5% (2013: 8.5%). General administration expenses, at €1,741 million, were slightly above the prior year (+ 1.7%). The ratio of general administration expenses to total sales was somewhat lower at 4.1% (2013: 4.3%). The negative balance of other operating income and expenses was reduced considerably to minus €134 million (2013: minus €277 million), mainly because special charges for accounting measures related to legal claims were lower in 2014.

The financial result fell by 34.9% to minus €981 million. It comprised €356 million (2013: €355 million) in net interest expense, €322 million (2013: €297 million) in interest cost for pension and other provisions, and a €248 million (2013: €120 million) net exchange loss. The year-on-year increase in the net exchange loss was mainly due to exchange rate effects in Venezuela, Ukraine and Argentina, higher exchange hedging costs and the fact that the prior year's financial result included a one-time gain of €77 million from the sale of Bayer's interest in Onyx Pharmaceuticals Inc., United States.

Tax expense in 2014 increased to €1,082 million as a result of earnings growth (2013: €1,021 million). Income after income taxes came in at €3,443 million. Income attributable to non-controlling interest rose by €20 million to €17 million. Bayer Group net income for 2014 was €3,426 million (2013: €3,189 million).

Cash Flow Statement

Operating cash flow

Gross cash flow climbed by 16.9% in 2014 to €6,820 million (2013: €5,832 million), mainly because of the improvement in EBIT. Net cash flow moved ahead by 12.4% to €5,810 million (2013: €5,171 million), after a business-related increase in cash tied up in working capital and €778 million in deferred income from the one-time payment received in connection with the sGC collaboration with Merck & Co., Inc., United States. Income taxes paid in 2014 amounted to €1,835 million (2013: €1,281 million).

Investing cash flow

Net cash outflow for investing activities in 2014 amounted to €15,539 million. Cash outflows for property, plant and equipment and intangible assets were 10% higher at €2,371 million (2013: €2,157 million) and included €832 million (2013: €809 million) at HealthCare, €686 million (2013: €538 million) at CropScience and €605 million (2013: €559 million) at MaterialScience. The €13,545 million (2013: €1,082 million) in outflows for acquisitions mainly related to the purchases of the consumer care businesses of Merck & Co., Inc., United States, and Algeta asa, Norway. Cash outflows from noncurrent and current financial assets amounted to €177 million (2013: inflow of €301 million). Inflows from interest and dividends totaled €107 million (2013: €125 million).

Financing cash flow

Net cash inflow for financing activities in 2014 amounted to €9,736 million, including net borrowings of €11,838 million (2013: net loan repayments of €619 million). Net interest payments were 7% higher at €362 million (2013: €338 million). The cash outflow for dividends amounted to €1,739 million (2013: €1,574 million).

Net financial debt

Net financial debt of the Bayer Group increased in 2014 to €19.6 billion, mainly as a result of cash outflows for acquisitions. As of December 31, 2014, the Group had cash and cash equivalents of €1.9 billion (2013: €1.7 billion). Financial liabilities at the end of the reporting period amounted to €21.6 billion (2013: €8.5 billion), with three subordinated hybrid bonds reflected at €4.6 billion overall. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond

issued in July 2005 with a nominal volume of €1.3 billion as equity. Moody's and Standard & Poor's treat 50% of the hybrid bonds issued in July 2014 with nominal volumes of €1.75 billion and €1.5 billion, respectively, as equity. The hybrid bonds thus have a more limited effect on the Group's rating-specific debt indicators than conventional borrowings. Bayer's noncurrent financial liabilities increased in 2014 from €5.6 billion to €18.5 billion, while current financial liabilities remained unchanged at €3.4 billion.

Asset and Capital Structure

Total assets as of December 31, 2014, increased by 36.9% to €70.2 billion. Noncurrent assets rose by 48.7% to €48.0 billion due mainly to acquisitions. This was due to the €6.3 billion increase in goodwill and the €6.7 billion rise in other intangible assets. The carrying amount of current assets climbed to €22.2 billion.

Equity was lower by €0.6 billion at €20.2 billion. The positive effects from the net income of €3.4 billion and the exchange differences of €1.4 billion (2013: negative effect of €0.7 billion) were offset by the negative effect from the increase of €3.5 billion (2013: positive effect from the decline of €1.3 billion) – recognized outside profit or loss – in post-employment benefit obligations and the dividend payment of €1.7 billion (2013: €1.6 billion). The equity ratio (equity coverage of total assets) as of December 31, 2014 was 28.8% (2013: 40.5%).

Liabilities increased by €19.5 billion compared with December 31, 2013, to €50.0 billion, due to the acquisition-related €12.8 billion increase in financial liabilities and the €4.9 billion increase in provisions for pensions and other post-employment benefits.

The net defined benefit liability for pensions and other post-employment benefits increased from €7.3 billion to €12.2 billion in 2014, mainly due to a decline in long-term capital market interest rates for high-quality corporate bonds.

Governmental, legal and arbitration proceedings

As a global company with a diverse business portfolio, the Bayer Group is exposed to numerous legal risks, particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments and environmental matters. The outcome of any current or future proceedings cannot normally be predicted. It is therefore possible that legal or regulatory judgments or future settlements could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could significantly affect Bayer's revenues and earnings.

Legal proceedings currently considered to involve material risks are outlined below. The legal proceedings referred to do not represent an exhaustive list.

HealthCare:

Product-Related Litigation

Yasmin™ / YAZ™: As of January 31, 2015, the number of claimants in the pending lawsuits and claims in the United States totaled about 5,000 (excluding claims already settled). Claimants allege that they have suffered personal injuries, some of them fatal, from the use of Bayer's drospirenone-containing oral contraceptive products such as Yasmin™ and / or YAZ™ or from the use of Ocella™ and / or Gianvi™, generic versions of Yasmin™ and YAZ™, respectively, marketed by Barr Laboratories, Inc. in the United States. Claimants seek compensatory and punitive damages, claiming, in particular, that Bayer knew, or should have known, of the alleged risks and should be held liable for having failed to disclose them or adequately warn users. All cases pending in U.S. federal courts have been consolidated in a multidistrict litigation proceeding for common pre-trial management.

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

As of January 31, 2015, 13 class actions had been served upon Bayer in Canada and two in Israel.

As of January 31, 2015, Bayer had reached agreements, without admission of liability, to settle approximately 9,500 claims in the U.S. for venous clot injuries (deep vein thrombosis or pulmonary embolism) for a total amount of about US\$1.9 billion. Bayer will continue to consider the option of settling such claims after a case-specific analysis of medical records. At present, about 2,000 such claims are under review.

Bayer has also settled, without admission of liability, approximately 7,200 claims for gallbladder injuries in the U.S. for a total amount of about US\$21.5 million. As of January 31, 2015, only a few claims for such injuries remained pending.

Additional lawsuits are anticipated. Bayer believes that it has meritorious defenses and will continue to defend itself vigorously against all claims that are not considered for settlement. Bayer has taken appropriate accounting measures for anticipated defense costs and for agreed and anticipated future settlements based on the information currently available and based on the number of pending and estimated future claims alleging venous clot injuries.

Mirena™: As of January 31, 2015, lawsuits of approximately 3,000 users of Mirena™, a levonorgestrel-releasing intrauterine system providing long-term contraception, had been served upon Bayer in the U.S. Most of the cases pending in U.S. federal courts have been consolidated in a multidistrict litigation proceeding for common pre-trial management. Additional lawsuits are anticipated. Plaintiffs allege personal injuries resulting from the use of Mirena™, including perforation of the uterus, ectopic pregnancy, or idiopathic intracranial hypertension, and seek compensatory and punitive damages. Plaintiffs claim, inter alia, that Mirena™ is defective and that Bayer knew or should have known of the risks associated with it and failed to adequately warn its users. As of January 31, 2015, four class actions relating to Mirena™ had been served upon Bayer in Canada. Bayer believes it has meritorious defenses and intends to defend itself vigorously. Based on the information currently available, Bayer has taken appropriate accounting measures for anticipated defense costs.

Xarelto™: As of January 31, 2015, lawsuits of approximately 200 recipients of Xarelto™, an oral anticoagulant for the treatment and prevention of blood clots, had been served upon Bayer in the U.S. Plaintiffs allege personal injuries from the use of Xarelto™, including cerebral, gastrointestinal or other bleeding and death, and seek compensatory and punitive damages. They claim, amongst other things, that Xarelto™ is defective and that Bayer knew or should have known of the risks associated with the use of Xarelto™ and failed to adequately warn its users. Additional lawsuits are anticipated. Cases pending in U.S. federal courts have been consolidated in a multidistrict litigation for common pre-trial management. As of February 8, 2015, one class action relating to Xarelto™ was filed in Canada. Bayer believes it has meritorious defenses and intends to defend itself vigorously. Based on the information currently available, Bayer has taken appropriate accounting measures for anticipated defense costs.

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

Competition Law Proceedings

Phillips' Colon Health / Department of Justice: In September 2014, the United States Department of Justice, representing the United States Federal Trade Commission, filed a motion in New Jersey federal court alleging that Bayer is making unsubstantiated claims about Phillips' Colon Health, a probiotic product, and thereby violating a 2007 consent decree requiring it to have competent and reliable scientific evidence to substantiate claims made about its dietary supplements. The suit seeks relief in the form of monetary damages and an order mandating Bayer to cease from making unsubstantiated claims. In December 2014, the parties attended a court-ordered mediation, which did not resolve the matter. Discovery continues. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

Patent Disputes

Beyaz™ / Safyral™: In 2013, Bayer received two notices from Watson Laboratories, Inc. that Watson has filed Abbreviated New Drug Applications with a Paragraph IV certification ("ANDA IV") seeking approval of generic versions of both Beyaz™ and Safyral™, Bayer's oral contraceptives containing folate, in the United

States. In response, Bayer filed two suits against Watson in U.S. federal court for infringement of the same patent. The lawsuits were consolidated.

Betaferon™ / Betaseron™: In 2010, Bayer filed a complaint against Biogen Idec MA Inc. in U.S. federal court seeking a declaration by the court that a patent issued to Biogen in 2009 is invalid and not infringed by Bayer's production and distribution of Betaseron™, Bayer's drug product for the treatment of multiple sclerosis. Biogen is alleging patent infringement by Bayer through Bayer's production and distribution of Betaseron™ and Extavia™ and has sued Bayer accordingly. Bayer manufactures Betaseron™ and distributes the product in the United States. Extavia™ is also a drug product for the treatment of multiple sclerosis; it is manufactured by Bayer, but distributed in the United States by Novartis Pharmaceuticals Corporation, another defendant in the lawsuit.

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

Damoctocog alfa pegol (BAY 94-9027, long-acting rFVIII): In 2013, Bayer filed a lawsuit against Nektar Therapeutics in the district court of Munich, Germany. In this proceeding, Bayer claims rights to certain European patent applications based on a past collaboration between Bayer and Nektar in the field of hemophilia. The European patent applications with the title "Polymer-factor VIII moiety conjugates" are part of a patent family registered in the name of Nektar comprising further patent applications and patents in other countries including the United States. However, Bayer believes that the patent family does not include any valid patent claim relevant for Bayer's drug candidate BAY 94-9027 for the treatment of hemophilia A.

Nexavar™: In January 2015, Bayer filed a patent infringement suit in a U.S. federal court against Mylan Pharmaceuticals Inc. and Mylan Inc. (together "**Mylan**"). In December 2014, Bayer had received notice of an ANDA IV pursuant to which Mylan seeks approval of a generic version of the cancer drug Nexavar™ in the United States.

Staxyn™: In 2012, Bayer filed a patent infringement suit in a U.S. federal court against Watson Laboratories, Inc. In 2013, Bayer filed a similar suit against Par Pharmaceutical, Inc. and Par Pharmaceutical Companies, Inc. (together "**Par Pharmaceutical**"). Earlier in 2012, Bayer had received notice of an ANDA IV pursuant to which Watson seeks approval to market a generic version of Bayer's erectile dysfunction treatment Staxyn™ prior to patent expiration in the United States. Earlier in 2013, Bayer had received a similar notice from Par Pharmaceutical. In 2014, Par Pharmaceutical amended its ANDA IV to no longer seek market approval prior to patent expiration whereupon the suit against Par Pharmaceutical was dismissed without prejudice. Staxyn™ is an orodispersible (orally disintegrating) formulation of Levitra™. Both drug products contain the same active ingredient, which is protected in the U.S. by two patents expiring in 2018.

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

Further Legal Proceedings

Trasylol™ / Avelox™: A qui tam complaint relating to marketing practices for Trasylol™ (aprotinin) and Avelox™ (moxifloxacin) filed by a former Bayer employee is pending in the United States District Court in New Jersey. The U.S. government has declined to intervene at the present time.

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

Newark Bay Environmental Matters: In the United States, Bayer is one of numerous parties involved in a series of claims brought by federal and state environmental protection agencies. The claims arise from operations by entities which historically were conducted near Newark Bay or surrounding bodies of water, or which allegedly discharged hazardous waste into these waterways or onto nearby land. Bayer and the other potentially responsible parties are being asked to remediate and contribute to the payment of past and future remediation or restoration costs and damages.

In the Lower Passaic River matter, a group of more than sixty companies including Bayer is investigating contaminated sediments in the riverbed under the supervision of the United States Environmental Protection Agency ("EPA") and other governmental authorities. Future remediation will involve some form of dredging, the nature and scope of which are not yet defined, and potentially other tasks. The cost of the investigation and the remediation work may be substantial if the final remedy involves extensive dredging and disposal of impacted sediments. In the Newark Bay matter, an unaffiliated party is currently conducting an investigation of sediments in Newark Bay under EPA supervision. The investigation is in a preliminary stage. Bayer has contributed to certain investigation costs in the past and may incur costs for future investigation and remediation activities in Newark Bay.

Bayer has also been notified by governmental authorities acting as natural resource trustees that it may have liability for natural resource damages arising from the contamination of the Lower Passaic River, Newark Bay and surrounding water bodies. Bayer is currently unable to determine the extent of its liability.

CropScience:

Asbestos: A further risk may arise from asbestos litigation in the United States. In many cases, the plaintiffs allege that Bayer and co-defendants employed third parties on their sites in past decades without providing them with sufficient warnings or protection against the known dangers of asbestos. Additionally, a Bayer affiliate in the United States is the legal successor to companies that sold asbestos products until 1976. Union Carbide has agreed to indemnify Bayer for this liability. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

MaterialScience:

Partial exemption from the surcharge under the Renewable Energy Act: Under the German Renewable Energy Act (Erneuerbare-Energien-Gesetz) of 2012 ("EEG 2012"), all consumers of electricity normally have to pay a surcharge which is used to promote the development of renewable energies in Germany ("EEG surcharge"). Some energy-intensive companies are partially exempted from this surcharge. In 2013, the European Commission had launched a formal investigation into such partial exemptions. The investigation was closed in November 2014, and the European Commission approved in principle this German state aid regulation on renewable energies (EEG 2012). Remaining claims for further payments against which Bayer has appealed are in the low one digit million euro range. Bayer believes the risks remaining in this matter are no longer material.

Tax Proceedings

Stamp taxes in Greece: In February 2014, a Greek administrative court of first instance dismissed Bayer's appeal against the assessment of stamp taxes and contingent penalties in the total amount of approximately €23 million on certain intra-Group loans to a Greek subsidiary. Bayer is convinced that the decision is wrong and has appealed. In a second court proceeding of first instance before the same court, Bayer has appealed against the assessment of stamp taxes and contingent penalties in a total amount of approximately €90 million. In addition, at the end of 2014 Bayer received new assessments of stamp tax and contingent penalties in a total amount of approximately €16 million which were appealed on administrative level. Bayer believes it has meritorious arguments to support its legal position and intends to defend itself vigorously.

Significant Change in the Issuer's financial or trading position

There has been no significant change in the financial or trading position of the Bayer Group since the end of the last reporting period ended December 31, 2014.

Additional Information

Capital Stock

Capital

As of December 31, 2014, the issued and fully paid-up capital stock of Bayer AG amounted to €2,116,986,388.48, divided into 826,947,808 no-par registered ordinary shares of a single class.

The shares are admitted to trading with official quotation on all German stock exchanges. The shares are also quoted on the stock exchanges at Barcelona and Madrid.

Authorised Capital

The Board of Management is authorized, with the consent of the Supervisory Board, to increase the capital stock by up to a total of €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 or noncash contributions, whereby capital increases against noncash contributions may only be made up to a total of €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) AktG. However, the Board of Management is authorized, with the consent of the Supervisory Board, to disapply stockholders' subscription rights in designated cases only.

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 €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) AktG. However, the Board of Management is authorized, with the consent of the Supervisory Board, to disapply stockholders' subscription rights if the capital increase 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 AktG.

For further details concerning the Authorized Capital I and the Authorized Capital II, please refer to paragraph 4 (2) and (3) of Bayer AG's Articles of Incorporation.

Conditional Capital

The capital stock is conditionally increased by an additional amount of up to €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 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.

For further details concerning Conditional Capital, please refer to paragraph 4 (4) of Bayer AG's Articles of Incorporation.

Memorandum and Articles of Incorporation

Bayer AG is registered in the commercial register of the local court of Cologne under the number HRB 48248.

According to its Articles of Incorporation (paragraph 2), the object of Bayer AG is manufacturing, marketing and other industrial activities or the provision of services in the fields of health care, agriculture, polymers and chemicals, as well as the transaction of all other business which is related to, or directly or indirectly serves, the object of Bayer AG.

Bayer AG's fiscal year is the calendar year.

Material Contracts

Bayer has an undrawn €3.5 billion syndicated credit facility which is available until 2019, plus one one-year extension option for Bayer. The participating banks are entitled to terminate the credit facility in the event of a change of control at Bayer and demand repayment of any loans that may have been granted under this facility up to that time.

In addition, the terms of €4.1 billion and US\$7 billion (as of December 31, 2014) in notes issued by Bayer in the years 2006 to 2014 contain change-of-control clauses. Holders of these notes have the right to demand the redemption of their notes by Bayer in the event of a change of control if Bayer AG's credit rating is downgraded within 120 days after such change of control becomes effective.

Agreements exist for the members of the Board of Management in compliance with Section 4.2.3 of the German Corporate Governance Code to cover the eventuality of a takeover offer being made for Bayer AG. Under these agreements, payments promised in the event of early termination of the service contract of a Board of Management member due to a change of control are limited to the value of three years' compensation and may not compensate more than the remaining term of the contract.

To finance the acquisition of the consumer care business of U.S. pharmaceutical company Merck & Co., Inc., Whitehouse Station, NJ, United States, Bayer entered a US\$2.0 billion term loan agreement with a group of relationship banks. It contains a change-of-control clause. Meanwhile, US\$600 million have been repaid.

Rating

The following ratings have been assigned to Bayer:

	<u>Long-term rating</u>	<u>Outlook</u>	<u>Short-term rating</u>
Standard & Poor's	A-	stable	A-2
Moody's	A3	stable	P-2

A A- rating assigned by Standard & Poor's means that the Issuer has a strong capacity to meet financial commitments, but is somewhat susceptible to adverse economic conditions and changes in circumstances. Ratings of Standard & Poor's from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. Obligations rated A by Moody's are considered upper-medium grade and are subject to low credit risk. Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Each of Standard & Poor's and Moody's is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, amended by Regulation (EC) No 513/2011 of the European Parliament and of the Council of May 11, 2011 (the "**CRA Regulation**"). The European Securities and Markets Authority publishes on its website (<http://www.esma.europa.eu/page/Listregistered-and-certified-CRAs>) a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

TAXATION

The following is a general discussion of certain German and Luxembourg income tax consequences of the acquisition and ownership of the Notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Germany and Luxembourg currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive effect.

Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws in Germany and Luxembourg and any country of which they are residents.

1. Germany

Tax Residents

Persons (individuals and corporate entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, seat or place of management in Germany) are subject to income taxation (income tax or corporate income tax, as the case may be, plus solidarity surcharge thereon plus church tax and/or trade tax, if applicable) on their worldwide income, regardless of its source, including interest from debt of any kind (such as the Notes) and, in general, capital gains.

Taxation if the Notes are held as private assets (*Privatvermögen*)

In the case of German tax-resident individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as private assets (*Privatvermögen*), the following applies:

- Income

The Notes should qualify as other capital receivables (*sonstige Kapitalforderungen*) in terms of section 20 para 1 no 7 German Income Tax Act ("**ITA**" – *Einkommensteuergesetz*).

Accordingly, payments of interest on the Notes should qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) pursuant to section 20 para 1 no 7 ITA.

Capital gains / capital losses realised upon sale of the Notes, computed as the difference between the acquisition costs and the sales proceeds reduced by expenses directly and factually related to the sale, should qualify as positive or negative savings income in terms of section 20 para 2 sentence 1 no 7 ITA. Where the Notes are acquired and/or sold in a currency other than Euro, the acquisition costs will be converted into Euro at the time of acquisition, the sales proceeds will be converted into Euro at the time of sale and the difference will then be computed in Euro. If the Notes are assigned, redeemed, repaid or contributed into a corporation by way of a hidden contribution (*verdeckte Einlage in eine Kapitalgesellschaft*) rather than sold, as a rule, such transaction is treated like a sale. Losses from the sale of Notes can only be offset against other savings income and, if there is not sufficient other positive savings income, carried forward in subsequent assessment periods.

Pursuant to a tax decree issued by the Federal Ministry of Finance dated 9 October 2012, as amended on 9 December 2014, a sale shall be disregarded where the transaction costs exceed the sales proceeds, which means that losses suffered from such "sale" shall not be tax-deductible. Similarly, a bad debt loss (*Forderungsausfall*), i.e. should the Issuer become insolvent, and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden contribution, shall not be treated like a sale. Accordingly, losses suffered upon such bad debt loss or waiver shall not be tax-deductible. The same shall apply where, based on an agreement with the depositary institution, the transaction costs are calculated on the basis of the sale proceeds taking into account a deductible amount.

If the Issuer exercises the right to substitute the debtor of the Notes, the substitution might, for German tax purposes, be treated as an exchange of the Notes for new notes issued by the new debtor. Such a substitution could result in the recognition of a taxable gain or loss for the respective investors.

- German withholding tax (*Kapitalertragsteuer*)

With regard to savings earnings (*Kapitalerträge*), e.g. interest or capital gains, German withholding tax (*Kapitalertragsteuer*) will be levied if the Notes are held in a custodial account which the investor maintains with a German branch of a German or non-German credit or financial services institution or with a German

securities trading business or a German securities trading bank (a "**German Disbursing Agent**") and such German Disbursing Agent credits or pays out the earnings.

The tax base is, in principle, equal to the taxable gross income as set out above (i.e. prior to withholding). However, in the case of capital gains, if the custodial account has changed since the time of acquisition of the Notes and the acquisition costs of the Notes are not proven to the German Disbursing Agent in the form required by law (e.g. if the Notes are transferred from a non-EU custodial account), withholding tax is applied to 30 percent of the proceeds from the redemption or sale of the Notes. When computing the tax base for withholding tax purposes, the German Disbursing Agent has to deduct any negative savings income (*negative Kapitalerträge*) or paid accrued interest (*Stückzinsen*) in the same calendar year or unused negative savings income of previous calendar years.

German withholding tax will be levied by a German Disbursing Agent at a flat withholding tax rate of 26.375 percent (including solidarity surcharge) plus, if applicable, church tax. Church tax, if applicable, will be collected by the German Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). In the latter case, the investor has to include the savings income in the tax return and will then be assessed to church tax.

No German withholding tax will be levied if the investor has filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the savings income does not exceed the exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is €801 (€1,602 in the case of jointly assessed investors). Similarly, no withholding tax will be levied if the relevant investor has submitted a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office to the German Disbursing Agent.

The Issuer is, as a rule, not obliged to levy German withholding tax in respect of payments on the Notes.

- Tax assessment

The taxation of savings income shall take place mainly by way of levying withholding tax (please see above). If and to the extent German withholding tax has been levied, such withholding tax shall, in principle, become definitive and replace the investor's income taxation. If no withholding tax has been levied other than by virtue of a withholding tax exemption certificate (*Freistellungsauftrag*) and in certain other cases, the investor is nevertheless obliged to file a tax return, and the savings income will then be taxed within the assessment procedure. If the investor is subject to church tax and has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*), the investor is also obliged to include the savings income in the tax return for church tax purposes.

However, also in the assessment procedure, savings income is principally taxed at a separate tax rate for savings income (*gesonderter Steuertarif für Einkünfte aus Kapitalvermögen*) being identical to the withholding tax rate (26.375 percent - including solidarity surcharge (*Solidaritätszuschlag*) plus, if applicable, church tax). In certain cases, the investor may apply to be assessed on the basis of its personal tax rate if such rate is lower than the above tax rate. Such application can only be filed consistently for all savings income within the assessment period. In case of jointly assessed investors the application can only be filed for savings income of both investors.

When computing the savings income, the saver's lump sum amount (*Sparer-Pauschbetrag*) of €801 (€1,602 in the case of jointly assessed investors) will be deducted. The deduction of the actual income related expenses, if any, is excluded.

Taxation if the Notes are held as business assets (*Betriebsvermögen*)

In the case of German tax-resident corporations or individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as business assets (*Betriebsvermögen*), interest payments and capital gains will be subject to corporate income tax at a rate of 15 percent or income tax at a rate of up to 45 percent, as the case may be, (in each case plus 5.5 percent solidarity surcharge thereon). In addition, trade tax may be levied, the rate of which depends on the municipality where the business is located. Further, in the case of individuals, church tax may be levied. Business expenses that are connected with the Notes are deductible.

The provisions regarding German withholding tax (*Kapitalertragsteuer*) apply, in principle, as set out above for private investors. However, investors holding the Notes as business assets cannot file a withholding tax exemption certificate with the German Disbursing Agent. Instead, no withholding tax will be levied on capital gains from the redemption, sale or assignment of the Notes if, for example, (a) the Notes are held by a

corporation or (b) the proceeds from the Notes qualify as income of a domestic business and the investor notifies this to the German Disbursing Agent by use of the officially required form.

Any withholding tax levied is credited as prepayment against the German (corporate) income tax amount. If the tax withheld exceeds the respective (corporate) income tax amount, the difference will be refunded within the tax assessment procedure.

Non-residents

Persons who are not tax resident in Germany should not be subject to tax with regard to income from the Notes unless (i) the Notes are held as business assets (*Betriebsvermögen*) of a German permanent establishment (including a permanent representative) which is maintained by the investor or (ii) the income from the Notes qualifies for other reasons as taxable German source income. If a non-resident person is subject to tax with its income from the Notes, in principle, similar rules apply as set out above with regard to German tax resident persons (please see above).

If the income is subject to German tax as set out in the preceding paragraph, German withholding tax should be applied like in the case of a German tax resident person.

Taxation if the Notes qualify as equity or equity-like

If the Notes qualify as equity or equity-like from a German tax perspective, the tax treatment for German resident investors holding the Notes as private assets should be the same as described above. For German resident investors holding the Notes as business assets, capital gains and interest income might be partly tax-exempt according to section 8b German Corporate Income Tax Act (*Körperschaftsteuergesetz*) and section 3 no 40 ITA, respectively; capital losses might be non-deductible.

Non-German resident investors might become subject to tax with regard to interest income from the Notes and German withholding tax might be levied irrespective of whether or not the interest is paid out by a German Disbursing Agent.

Inheritance and Gift Tax

Inheritance or gift taxes with respect to any Note will, in principle, arise under German law if, in the case of inheritance tax, either the decedent or the beneficiary or, in the case of gift tax, either the donor or the donee is a resident of Germany or if such Note is attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed.

The few existing double taxation treaties regarding inheritance and gift tax may lead to different results. Special rules apply to certain German citizens that are living in a foreign country and German expatriates.

Other Taxes

No stamp, issue, registration or similar taxes or duties are payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany. It is intended to introduce a financial transaction tax. However, it is unclear if and in what form such tax will be actually introduced.

2. Luxembourg

In this section, "interest", "residual entities" and "paying agent" have the meaning given thereto in the amended Luxembourg laws of June 21, 2005 (or the relevant Agreements). "Interest" includes accrued or capitalised interest at the sale, repayment or redemption of the Notes. "Residual entities" includes, in general, all entities established in the EU and certain dependent or associated territories other than legal entities, undertakings for collective investments in transferable securities ("UCITS") authorized under the directive 85/611/CEE (replaced by Directive 2009/65/CE), and entities taxed as enterprises. "Paying agent" is defined broadly for this purpose and in the context of the Notes means any economic operator established in Luxembourg who pays interest on the Notes to, or ascribes the payment of such interest to, or for the immediate benefit of the beneficial owner, whether the operator is, or acts on behalf of, the Issuer or is instructed by the beneficial owner to collect such payment of interest.

This taxation overview solely addresses withholding tax consequences of the acquisition, ownership and disposal of Notes issued by Bayer AG on or after the date of this Prospectus under Luxembourg Tax Law. It does not describe any other Luxembourg tax consequences. It does therefore not consider every aspect of taxation that may be relevant to a particular holder of Notes

Prospective Holders of Notes are advised to consult their own tax advisors as to the tax consequences of

the purchase, ownership and disposition of the Notes on the basis of this Prospectus, including the effect of any state or local taxes, under the tax laws of Luxembourg and each country of which they are residents.

Withholding tax

All payments of interest and principal by the Issuer under the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005, as amended, which has introduced a 10 percent withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005 implementing EC Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (the "**EU Savings Directive**"). Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

Pursuant to the law of 23 December 2005, as amended, Luxembourg resident individuals can opt to self declare and pay a 10 percent levy on interest payments made by paying agents located in a Member State of the European Union other than Luxembourg, a Member State of the European Economic Area (other than a Member State of the European Union) or in a State or territory which has concluded an agreement directly relating to the EU Savings Directive on the taxation of savings income in the form of interest payments. Responsibility for the declaration and the payment of this 10 percent levy is assumed by the individual resident beneficial owner of the interest or similar income.

The 10 percent withholding tax as described above or the 10 percent levy are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

3. EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (the "**EU Savings Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria applies a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Investors who are in any doubt as to their position should consult their professional advisers.

4. The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**").

The Commission's Proposal has a very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where

at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

Joint statements issued by Participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

5. U.S. Withholding Tax Under FATCA

In certain circumstances, payments made on or with respect to the Notes after 31 December 2016 may be subject to U.S. withholding tax under Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "**FATCA**"). This withholding does not apply to payments on Notes that are issued prior to the six month anniversary of the date on which the final regulations that define "foreign passthru payments" are published, unless the Notes are "materially modified" after that date or are characterized as equity for U.S. federal income tax purposes.

The Issuer may enter into an agreement with the U.S. Internal Revenue Service ("**IRS**") or otherwise be required to provide certain information about investors. Under such an agreement, withholding may be triggered if: (a) an investor does not provide information sufficient for the relevant party to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer, (b) an investor does not consent, where necessary, to have its information disclosed to the IRS or (c) any investor or person through which payment on the Notes is made is not able to receive payments free of withholding under FATCA.

The United States has entered into intergovernmental agreements to implement FATCA with Germany, (the "**IGA**"). Under the current provisions of the IGA, a foreign financial institution that is treated as resident of Germany and that complies with the requirements of the IGA, will not be subject to FATCA withholding on payments it receives and will not be required to withhold on payments of non-U.S. source income. The United States is in the process of negotiating intergovernmental agreements to implement FATCA with a number of other jurisdictions. Different rules than those described above may apply if a payee is resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA.

Whilst the Notes are in global form and held within Clearstream Banking AG, Frankfurt am Main ("**CBF**"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent or CBF given that each of the entities in the payment chain beginning with the Issuer and ending with CBF is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. Should the Notes go into definitive form and taken out of the CBF for whatever reason, a non-FATCA compliant holder could be subject to withholding. However, Definitive Notes would only be printed in very remote circumstances.

Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once payment has been made to the depositary, common depositary or common safekeeper for the clearing system (as holder of the Notes) and the Issuer will have no responsibility for any amount thereafter transmitted through hands of the clearing system and custodians or intermediaries.

OFFER AND SUBSCRIPTION OF THE NOTES

Subscription by the Joint Bookrunners

The Joint Bookrunners will enter into a subscription agreement on or about the date of this Prospectus (the "**Subscription Agreement**") in which they will subscribe the EUR 1,300,000,000 Notes. The Subscription Agreement is subject to customary closing conditions and hence, the Joint Bookrunners will be, under certain circumstances, entitled to terminate the Subscription Agreement. In such event, no Notes will be delivered to investors. Furthermore, the Issuer will agree in the Subscription Agreement to indemnify the Joint Bookrunners against certain liabilities in connection with the offer and sale of the Notes.

The Joint Bookrunners or their affiliates have provided from time to time, and expect to provide in the future, investment services to the Issuer and its affiliates, for which the Joint Bookrunners or their affiliates have received or will receive customary fees and commissions. In addition, in the ordinary course of their business activities, the Joint Bookrunners and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Joint Bookrunners or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Bookrunners and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Bookrunners and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. There are no interests of natural and legal persons other than the Issuer involved in the issue, including conflicting ones that are material to the issue.

Offer, Delivery of the Notes to investors

The Notes may only be offered in consideration of a purchase amount of not less than EUR 100,000 or to qualified investors (as defined in Article 2 para. 1 lit(e) of the Prospectus Directive) or otherwise in compliance with applicable offer restrictions.

Delivery and payment of the Notes will be made on the Issue Date, which is expected to be April 2, 2015. The Notes so purchased will be delivered via book-entry through the Clearing System and their depository banks against payment of the issue price therefor.

Costs and expenses relating to the offer

The Issuer will not charge any costs, expenses or taxes directly to any investor in connection with the Notes. Investors must, however, inform themselves about any costs, expenses or taxes in connection with the Notes which are generally applicable in their respective country of residence, including any charges their own depository banks charge them for purchasing or holding securities.

SELLING RESTRICTIONS

General

Each Joint Bookrunner has acknowledged that, other than with respect to the listing of the Notes on the relevant stock exchange, no action has been or will be taken in any country or jurisdiction by the Issuer or the Joint Bookrunners that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Each Joint Bookrunner will (to the best of its knowledge) comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or has in its possession or distributes such offering material, in all cases at its own expense.

United States of America

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. Each of the Joint Bookrunners has agreed that it will not offer, sell or deliver the Notes within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act ("**Regulation S**") or pursuant to an exemption from the registration requirements of the Securities Act.

Each of the Joint Bookrunners has represented that it has offered and sold the Notes, and has agreed that it will offer and sell the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each of the Joint Bookrunners has agreed that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act."

Terms used in this paragraph have the meanings given to them by Regulation S.

Each Joint Bookrunner has represented that it has not entered and has agreed that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer.

European Economic Area

In relation to each Member State of the European Economic Area (the EU plus Iceland, Norway and Liechtenstein) which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Bookrunner has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); subject to obtaining the prior consent of the relevant Joint Bookrunner or Joint Bookrunners nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or any Joint Bookrunner to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Joint Bookrunner has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

GENERAL INFORMATION

Listing and admission to trading

Application has been made to the Luxembourg Stock Exchange for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and to be admitted to trading on the Luxembourg Stock Exchange's Regulated Market. The Luxembourg Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC.

Authorisation and Issue Date

The creation and issue of the Notes has been authorised by a resolution of the Board of Management of the Issuer dated February 2015 and of the Supervisory Board of the Issuer dated March 2015. The Issue Date of the Notes is expected to be April 2, 2015.

Documents on Display

As long as the Notes are outstanding, copies and, where appropriate, English translations of the following documents may be inspected (and in the case of (b) and (c) will be available free of charge and can be found on the website of the Luxembourg Stock Exchange) during normal business hours at the specified office of the Principal Paying Agent, namely:

- (a) the constitutional documents of the Issuer;
- (b) the Prospectus;
- (c) any document incorporated by reference into the Prospectus.

Clearing and Settlement

The Notes have been accepted for clearing by Clearstream Banking AG, Frankfurt. The Notes have been assigned the following securities codes: ISIN DE000A14J611, Common Code 121274043, WKN A14J61.

Yield

The yield of the Notes is 2.45 percent *per annum* until the First Call Date. The yield is calculated in accordance with the ICMA (International Capital Markets Association) method. The ICMA method determines the effective interest rate of fixed rate instruments taking into account accrued interest on a daily basis.

Rating of the Notes

The Notes are expected to be rated BBB by S&P² and Baa2 by Moody's³.

² S&P is established in the European Community and is registered under the CRA Regulation. The European Securities and Markets Authority publishes on its website (www.esma.europa.eu/page/list-registered-and-certified-CRAs) a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

³ Moody's is established in the European Community and is registered under the CRA Regulation. The European Securities and Markets Authority publishes on its website (www.esma.europa.eu/page/list-registered-and-certified-CRAs) a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

INCORPORATION BY REFERENCE

Interim Financial Information

The Issuer publishes interim financial statements on a semi-annual basis.

Incorporation by Reference

The following information is incorporated by reference into this Prospectus to the extent set forth in the table below:

1. the audited consolidated financial statements of the Bayer Group (augmented version) as of and for the year ended December 31, 2013 (the "**Group 2013 Report**") consisting of
 - Consolidated Income Statements (page 228 of the Group 2013 Report),
 - Consolidated Statements of Comprehensive Income (page 229 of the Group 2013 Report),
 - Consolidated Statements of Financial Position (page 230 of the Group 2013 Report),
 - Consolidated Statements of Cash Flows (page 231 of the Group 2013 Report),
 - Consolidated Statements of Changes in Equity (page 232 to 233 of the Group 2013 Report)
 - Notes (pages 234 to 329 of the Group 2013 Report),
 - the Independent Auditor's Report (page 331 to 332 of the Group 2013 Report),
2. the audited consolidated financial statements of the Bayer Group (augmented version) as of and for the year ended December 31, 2014 (the "**Group 2014 Report**") consisting of
 - Consolidated Income Statements (page 228 of the Group 2014 Report),
 - Consolidated Statements of Comprehensive Income (page 229 of the Group 2014 Report),
 - Consolidated Statements of Financial Position (page 230 of the Group 2014 Report),
 - Consolidated Statements of Cash Flows (page 231 of the Group 2014 Report),
 - Consolidated Statements of Changes in Equity (page 232 to 233 of the Group 2014 Report),
 - Notes (pages 234 to 331 of the Group 2014 Report),
 - the Independent Auditor's Report (page 333 to 334 of the Group 2014 Report),

Any information not incorporated by reference into this Prospectus but contained in one of the documents mentioned as source documents in the cross reference list above is either not relevant for the investor or covered in another part of this Prospectus.

The source documents from which the information mentioned above has been incorporated by reference into this Prospectus will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

ISSUER

Bayer Aktiengesellschaft
51368 Leverkusen
Germany

PRINCIPAL PAYING AGENT

Deutsche Bank Aktiengesellschaft
Trust & Securities Services
Taunusanlage 12
60325 Frankfurt am Main
Germany

LEGAL ADVISERS

To the Issuer

Linklaters LLP
Mainzer Landstrasse 16
60325 Frankfurt am Main
Germany

To the Joint Bookrunners

Clifford Chance Deutschland LLP
Mainzer Landstraße 46
60325 Frankfurt am Main
Germany

AUDITORS

**PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft**
Friedrich-List-Str. 20
45128 Essen
Germany