Bayer AG Financial Statements

2019

Science for a **better life**

The management report of Bayer AG is combined with the management report of the Bayer Group. The Combined Management Report is published in Bayer's Annual Report for 2019. The financial statements and the Combined Management Report of the Bayer Group and Bayer AG for fiscal 2019 have been submitted to the operator of the Federal Gazette and are accessible via the Company Register website.

Contents

Income Statements

€ million	Note	2018	2019
Net sales	[1]	14,647	14,833
Cost of goods sold		(8,219)	(7,882)
Gross profit		**6,428**	**6,951**
Selling expenses		(4,509)	(4,524)
Research and development expenses		(2,331)	(2,131)
General administration expenses		(1,056)	(1,409)
Other operating income	[2]	268	481
Other operating expenses	[3]	(115)	(123)
Operating income		**(1,315)**	**(755)**
Income from investments in affiliated companies – net	[4]	4,739	5,605
Interest income/expense – net	[5]	(562)	85
Other financial income/expense – net	[6]	(511)	(66)
Nonoperating income		**3,666**	**5,624**
Income taxes	[7]	(234)	(312)
Income after taxes/net income		**2,117**	**4,557**
Profit carried forward from previous year		498	–
Allocation to other retained earnings		(4)	(1,806)
Distributable profit		**2,611**	**2,751**

Statements of Financial Position

€ million	Note	Dec. 31, 2018	Dec. 31, 2019
ASSETS			
Noncurrent assets			
Intangible assets	[13]	134	136
Property, plant and equipment	[14]	29	29
Investments	[15]	73,530	70,388
		73,693	**70,553**
Current assets			
Inventories	[16]	2,197	2,209
Receivables and other assets			
Trade accounts receivable	[17]	2,113	1,631
Receivables from subsidiaries	[18]	1,829	6,421
Other assets	[19]	298	715
	[20]	**4,240**	**8,767**
Cash and cash equivalents		3,178	2,783
		9,615	**13,759**
Deferred charges	**[21]**	**101**	**101**
Surplus from offsetting	**[22]**	**93**	**173**
		83,502	**84,586**
EQUITY AND LIABILITIES			
Equity	**[23]**		
Capital stock		2,387	2,515
Capital reserves		14,975	18,845
Other retained earnings		7,686	9.492
Distributable profit		2,611	2,751
		27,659	**33,603**
Provisions			
Provisions for pensions	[24]	1,167	1,018
Other provisions	[25]	1,992	2,226
		3,159	**3,244**
Other liabilities			
Bonds and promissory notes	[26]	6,345	6,300
Liabilities to banks		4,151	3,250
Down payments received on orders		18	3
Trade accounts payable	[27]	1,913	1,724
Payables to subsidiaries	[28]	39,680	35,954
Miscellaneous liabilities	[29]	482	404
	[30]	**52,589**	**47,635**
Deferred income	**[31]**	**95**	**104**
		83,502	**84,586**

Notes

Changes to and Information on the Corporate Structure

In July 2019, Bayer sold the prescription dermatology business to the Danish pharmaceutical company LEO Pharma.

Later in the year, two businesses with nonprescription products were also divested: the Coppertone™ sunscreen brand to Beiersdorf and the Dr. Scholl's™ foot care brand to U.S. financial investor Yellow Wood Partners.

In November 2019, Bayer completed the sale of its 60% interest in Currenta GmbH & Co. OHG, the service company responsible for operating infrastructure, utility supply and other essential services in the chemical parks in Leverkusen, Dormagen and Krefeld-Uerdingen, to the Australian-based financial investor Macquarie Infrastructure and Real Assets (MIRA).

As the final step in Bayer's reorganization, the operational business of the Pharmaceuticals and Crop Science divisions was transferred to Bayer AG effective January 1, 2017. For this purpose, business lease agreements were concluded with Bayer Pharma AG, Germany, and Bayer CropScience AG, Germany, which had previously managed the divisions' business. Under these agreements, these companies leased their entire business operations to Bayer AG and also transferred operational management to Bayer AG. The agreements were initially concluded for a term of one calendar year and are each extended by successive periods of one year unless written notice of termination effective as of the end of the preceding year is given six months in advance by either party. None of the parties terminated the agreements in 2017, 2018 or 2019.

Accounting Policies

The financial statements of Bayer AG, Leverkusen, Germany (which is entered in the commercial register of the Local Court of Cologne, Germany, HRB 48248), are prepared in accordance with the German Commercial Code (HGB), the Stock Corporation Act (AktG) and the German Energy Industry Act (EnWG).

Bayer AG is a generator and supplier of utilities at multiple locations and thus an energy utility as defined in Section 3, No. 18 of the EnWG. Since utility supply networks are operated by a subsidiary in addition, Bayer AG also constitutes a vertically integrated energy utility under Section 3, No. 38 of the EnWG. However, regarding its own activities, it is only subject to the separate accounting obligation and not the obligation to prepare activity reports.

Certain items in the income statement and statement of financial position are combined for the sake of clarity; they are explained in the Notes. Likewise for reasons of clarity, "of which" information required for certain items in the financial statements is presented in the Notes only. Research and development expenses are shown separately in view of their special importance in the chemical and pharmaceutical industry. Financial income and expenses whose disclosure is not covered by a legally required item are reported under other financial income or expense.

The income statement has been drawn up using the cost-of-sales method. Expense items and negative amounts after netting contained in the tables are shown in brackets.

A declaration of compliance with the German Corporate Governance Code has been issued pursuant to Section 161 of the German Stock Corporation Act (AktG) and made permanently available to stockholders online as part of the Declaration on Corporate Governance pursuant to Section 289f of the German Commercial Code (HGB). It can be downloaded from https://www.investor.bayer.com/en/bayer-group/corporate-governance.

As the parent company, Bayer AG prepares the consolidated financial statements for both the largest and the smallest scope of consolidation. As in the previous year, the management report of Bayer AG has been combined with the management report of the Bayer Group pursuant to Section 315, Paragraph 3 of the German Commercial Code (HGB) in conjunction with Section 298, Paragraph 2 HGB.

Recognition and Valuation Principles

Intangible assets that have been acquired are recognized at cost and amortized on a straight-line basis (pro rata temporis) over their estimated useful lives on an individual basis. Self-generated intangible assets are not capitalized.

Property, plant and equipment is carried at the cost of acquisition or construction less depreciation of assets that are subject to wear and tear in line with their individual useful lives. The straight-line method of depreciation is normally used. Movable assets that were already recognized as of December 31, 2007, are depreciated by the declining balance method at the maximum depreciation rates permitted for tax purposes, switching to the straight-line method as soon as this leads to higher annual depreciation.

Depreciation of the individual categories of property, plant and equipment, and amortization of the individual categories of intangible assets are based on the following useful lives:

Useful Lives of Intangible Assets and Property, Plant and Equipment

Software	3 to 4 years
Other concessions, industrial property rights, similar rights and assets, and licenses thereunder	max. 20 years
Commercial buildings	25 to 40 years
Infrastructure facilities	12 to 20 years
Plant facilities	12 to 20 years
Plant and equipment	8 to 20 years
Laboratory and research equipment	3 to 5 years
Factory and office equipment	6 to 12 years
Communication technology	3 to 10 years
Vehicles (purchased until June 30, 2014)	5 years
Vehicles (purchased from July 1, 2014)	6 years
Computer equipment	3 to 4 years

Assets that can be utilized separately and are subject to depletion are depreciated in full in the year of acquisition if their cost of acquisition or construction does not exceed €800.

Write-downs are made for any declines in value that go beyond the depletion reflected in depreciation or amortization and are expected to be permanent. If the reasons for a write-down no longer apply, a write-back is made, provided that this does not cause the carrying amount to exceed the cost of acquisition or construction less depreciation or amortization.

The cost of construction of self-constructed property, plant and equipment comprises the direct cost of materials, direct manufacturing expenses, appropriate allocations of material and manufacturing overheads, and an appropriate share of the depreciation of assets used in construction.

Investments in subsidiaries and affiliated companies as well as securities recognized in noncurrent assets are carried at cost, less write-downs for any decline in value that is expected to be permanent. Where the reasons for write-downs made in previous years no longer apply or only partially apply, the respective items are written back accordingly, provided that the write-back does not cause the carrying amount to exceed the cost of acquisition. Interests in subsidiaries and affiliated companies that were acquired through exchange deals are measured at the carrying amount of the shares submitted. The predecessor accounting approach is applied for mergers of interests in subsidiaries or affiliates.

Loans receivable that are interest-free or bear low rates of interest are carried at present value; other loans receivable are carried at nominal value. The loans also include jouissance right capital *(Genussrechtskapital)* provided to Bayer Pensionskasse VVaG, Leverkusen, Germany, and the latter’s drawings on a retroactive contribution to its effective initial fund made available by Bayer AG.

Inventories are valued as follows: raw materials, supplies and goods purchased for resale at the average cost of acquisition less write-downs, and finished goods at the average cost of production. This comprises the direct cost of materials, direct manufacturing expenses, and appropriate allocations of material and manufacturing overheads, including manufacturing-related depletion of noncurrent assets. Write-downs are recognized if the fair value is below the carrying amount.

Receivables and other assets are stated at nominal value, less any necessary write-downs. The amounts of such write-downs reflect the probability of default. Non-interest-bearing or low-interest receivables that are due in more than one year are recognized at their discounted value.

Cash, bank deposits and checks held in euros are recognized at their nominal value; such assets held in foreign currencies are translated at the spot rate on the closing date of the financial statements.

The deferred charges on the statement of financial position contain expenditures prior to the closing date that will give rise to expense in a defined subsequent period. Also included are the differences between the issue and settlement amount for bonds issued by Bayer AG that will be amortized over the maturity of the bonds.

The amounts required to meet credit balances on employees’ long-term worktime accounts and certain pension obligations are invested indirectly via intermediate investment vehicles through a Belgian investment company operating as a SICAV *(Société d’investissement à capital variable)*. They are invested in basically liquid international fixed-income bonds, shares, real estate and alternative investments. The assets are administered on behalf of Bayer AG by Bayer Pension Trust e. V. (BPT), Germany. All investments are protected from other creditors in the event that the employer files for insolvency. They are measured at fair value, which is derived from stock market prices and market interest rates. The trust assets held by BPT are offset against the underlying obligations. If the obligations exceed the assets, a provision is recorded. If the value of the securities exceeds the obligations, it is recorded in the statement of financial position as a surplus from offsetting. Accordingly, in the income statements, income from the trust assets is offset against the interest portion of the corresponding obligations and changes in the discount rate.

Deferred taxes are assessed for temporary differences between the amounts of assets, liabilities, deferred charges and deferred income in the accounting statements and those in the tax statements. This assessment takes into account not only the differences reflected in Bayer AG’s own statement of financial position, but also those existing at subsidiaries with which it forms a fiscal entity for tax purposes and in which it holds an equity interest. In addition to temporary differences, tax loss carryforwards are taken into account. Deferred taxes are calculated on the basis of the combined income tax rate for the fiscal entity headed by Bayer AG, which is currently 29.60%. The combined income tax rate comprises corporate income tax, trade tax and the solidarity surcharge. In the case of partnerships, however, deferred taxes relating to temporary differences in the statement of financial position are calculated using a combined income tax rate that includes only corporate income tax and the solidarity surcharge; this combined rate is currently 15.83%. Any resulting tax liability would be recognized as a deferred tax liability in the statement of financial position. In the event of a tax receivable, the corresponding option to recognize the deferred tax asset would not be used. In 2019 there was a deferred tax asset, which therefore was not recognized in the statement of financial position.

The capital stock of Bayer AG is divided into 982,424,082 no-par registered shares, each of which has a theoretical proportionate interest in the total capital stock of € 2,515,005,649.92.

Provisions for pensions are computed using the projected unit credit method on the basis of biometric probability using the Heubeck 2018 G reference tables. Expected future salary and pension increases are taken into account. We assume annual salary increases of 2.50% (2018: 2.75%) and annual pension increases of 1.40% (2018: 1.60%). For pension entitlements granted since January 1, 2000, an annual pension increase of 1.00% is generally accounted for as this has been promised to the employees. The discount rate used for pension provisions as at December 31, 2019, was 2.71% (December 31, 2018: 3.21%), which is the average market interest rate for the past ten years for instruments with an assumed remaining maturity of 15 years, as published by the Deutsche Bundesbank for December 2019.

Other provisions are established to cover all foreseeable risks and uncertain liabilities based on reasonable estimates of the future settlement amounts of such commitments. Future price and cost increases are taken into account where there are sufficient objective indications that such increases will most probably occur. Provisions maturing in more than one year are discounted to present value using the average market interest rate for the past seven years, based on their remaining maturities. For longer-term personnel-related provisions, such as provisions for long-service anniversaries, a discount rate of 1.97% (2018: 2.32%) is used for an assumed period of 15 years until utilization. Shorter-term personnel-related provisions, such as those for obligations under early retirement arrangements, are discounted using a rate that corresponds to their maturity, which in 2019 was three years. The discount rate was 0.72% (2018: 0.97%). These are the rates published or expected by the Deutsche Bundesbank for December 2019.

Liabilities are recognized at the settlement amount as of the closing date. Noncurrent liabilities containing an interest component are discounted using the average market interest rate in the past seven years applicable to their maturity.

Foreign currency receivables and liabilities, forward exchange contracts and other currency derivatives are recognized using the mark-to-market method. For this purpose, foreign currency receivables and payables are measured at spot rates, while the corresponding currency derivatives entered into for hedging purposes are valued at the market forward rates on the closing date. Unrealized gains and losses are then offset in each currency using the net hedge presentation method. Provisions are set up for any net unrealizable losses; net unrealizable gains are only recognized if they relate to receivables and liabilities with a remaining maturity of up to one year.

The deferred income on the statement of financial position contains payments received prior to the closing date that will give rise to income in a specific future period. This includes license payments, the majority of which will be amortized over the estimated useful life of the asset, starting when marketing approval is obtained for the respective product.

Contingent liabilities arising from sureties and debt guarantees are shown at the amounts equivalent to the loans or commitments actually outstanding on the closing date.

Notes to the Income Statements

1. Sales

Sales increased by €186 million compared with 2018. The sales split by business unit and region was as follows:

Sales by Business Unit

€ million	2018	2019
Pharmaceuticals	8,550	9,510
Crop Science	5,997	5,206
Enabling Functions	100	117
	14,647	**14,833**

Sales by Region

€ million	2018[1]	2019
Europe/Middle East/Africa	6,414	6,306
North America	3,505	2,967
Asia/Pacific	3,123	3,747
Latin America	1,605	1,813
	14,647	**14,833**

[1] 2018 figures adjusted due to changed composition of regions

2. Other operating income

Other operating income comprised:

Other Operating Income

€ million	2018	2019
Gains from the disposal of noncurrent assets	34	32
Reversals of unutilized provisions	51	117
Government grants for research and development services	13	12
Intra-Group compensation payment for cancellation of Factor VIII production	129	–
Income from charging-on of Monsanto financing costs to other Group companies	–	276
Miscellaneous operating income	41	44
	268	**481**

Gains from the disposal of noncurrent assets resulted almost exclusively from the sale of two fungicide active ingredients in the Crop Science business. In the previous year, gains from the disposal of noncurrent assets included €26 million from the intra-Group sale of information technology to Bayer Business Services GmbH and €8 million from the disposal of other assets.

Miscellaneous operating income included €7 million (2018: €12 million) in insurance compensation, €17 million (2018: €4 million) in income from collaboration agreements and €1 million (2018: €13 million) received in connection with the sale of licenses/rights.

3. Other operating expenses

Other operating expenses comprised:

Other Operating Expenses

€ million	2018	2019
Expenses relating to divestments to BASF[1]	55	13
Expenses from the assumption of restructuring costs	–	49
Write-downs of receivables	16	10
Donations	18	15
Miscellaneous operating expenses	26	36
	115	**123**

[1] Including for transitional agreements concluded with BASF

The miscellaneous operating expenses included – as in the previous year – property taxes, compensation payments, bank charges and accrued expenses.

4. Income from investments in affiliated companies – net

Income from Investments in Affiliated Companies – Net

€ million	2018	2019
Dividends and similar income from subsidiaries	152	1,817
Income from profit and loss transfer agreements with subsidiaries	1,499	2,981
Expenses from profit and loss transfer agreements with subsidiaries	(162)	(283)
Write-downs of investments in affiliated companies	(77)	(64)
Write-backs of investments in affiliated companies	–	48
Losses from the sale of investments in affiliated companies	–	(9)
Gains from the sale of investments in affiliated companies	3,327	1,115
	4,739	**5,605**

Details of the income and expenses from investments in affiliated companies are given in the Combined Management Report of Bayer AG and the Bayer Group.

The write-downs of investments in affiliated companies in 2019 included €34 million (2018: €46 million) for Bayer New UK M3939 LLC, United States, €18 million (2018: €31 million) for Bayer Türk Kimya Sanayii Limited Sirketi, Turkey, and €12 million for Bayer Capital Corporation B.V., Netherlands.

The write-backs of investments in affiliated companies included €12 million for Siebte Bayer VV GmbH, €33 million for Bayer Bitterfeld GmbH and €3 million for Bayer Real Estate GmbH.

The losses from the sale of investments in affiliated companies pertained to the sale of shares in Monsanto Holding Ukraine Ltd., Ukraine.

The €1,115 million in gains from the sale of investments in affiliated companies included €1,088 million from the sale of shares in Bayer Beteiligungsverwaltungsgesellschaft mbH & Co. OHG, which had as its main business purpose the ownership of 60% of the shares of Currenta GmbH & Co. OHG, and €27 million from the intra-Group sale of shares in Bayer (Proprietary) Limited, South Africa. The prior-year gain included €3,314 million from the sale of around 60.3 million shares in Covestro AG. A further €13 million came from the intra-Group sale of four Monsanto companies as part of the restructuring following the acquisition of the Monsanto Group.

5. Interest income/expense – net

Interest Income/Expense – Net

€ million	2018	2019
Income from other securities and loans included in investments	15	692
• *of which from subsidiaries*	*–*	*692*
Other interest and similar income	1,084	167
• *of which from subsidiaries*	*567*	*134*
Interest and similar expenses	(984)	(804)
• *of which to subsidiaries*	*(363)*	*(469)*
Interest income/expense portion of pension and other noncurrent personnel-related provisions (net)	(667)	53
Interest expense portion of other noncurrent provisions	(10)	(23)
	(562)	**85**

Details of the net interest position are given in the Combined Management Report of Bayer AG and the Bayer Group.

Income relating to the interest portion of pension and other noncurrent personnel-related provisions comprised the net amount from the unwinding of discount on the present value of the defined benefit obligation after offsetting income from and changes in the value of the assets held by Bayer Pension Trust e. V. (BPT), Germany, and the impact of the change in the discount rate. The assets held by BPT serve the sole purpose of meeting pension obligations and the obligations arising from credit balances on employees' long-term worktime accounts. The Trust's assets are protected from other creditors.

The income from plan assets was netted with the interest portion of pension and other personnel-related provisions as follows:

Netting of the Interest Portion of Pension and Other Personnel-Related Provisions with Income from Plan Assets

€ million	2018	2019
Expenses for the interest portion of pension and other noncurrent personnel-related provisions and from changes in the discount rate (gross)	(437)	(485)
Expense/income from assets held by Bayer Pension Trust e. V.	(230)	538
	(667)	**53**

6. Other financial income/expense – net

Other Financial Income/Expense – Net

€ million	2018	2019
Changes in provisions for pensions and other noncurrent personnel-related provisions (excluding interest portion)	35	23
Allocation to pension provisions assigned to subsidiaries	96	79
Expenses from currency translation		
– Realized exchange losses	(2,894)	(2,143)
– Unrealized expenses from valuation	(77)	(296)
Income from currency translation		
– Realized exchange gains	2,981	2,207
– Unrealized income from valuation	67	26
Guarantee fees for sureties granted	30	53
Commitment fees for credit facilities	(136)	(4)
Fees for capital increase	(97)	–
Write-downs of securities recognized in noncurrent assets	(459)	(20)
Miscellaneous financial expenses	(60)	(63)
Miscellaneous financial income	3	72
	(511)	**(66)**

The interest portion of allocations to pension and other noncurrent personnel-related provisions is included in interest expense. Other financial income and expense contains further changes in pension provisions, not related to the interest portion, pertaining to former employees of Bayer AG who retired before the hive-down of the business areas and service areas (effective date: July 1, 2002) or who left the company before then and have vested pension rights. Changes of this kind occur in the event of changes in actuarial valuation parameters.

The expenses for allocations to the above provisions for employees who retired or left the company before July 1, 2002, are generally reimbursed by the subsidiaries on a prorated basis under the respective carve-out agreements.

The write-downs of securities recognized in noncurrent assets pertained entirely to shares of Covestro AG, Germany.

The miscellaneous financial expenses included €28 million for the repurchase of a hybrid bond before the first call date as well as €2 million (2018: €3 million) in bank charges. In 2018 they also contained a €4 million compensation payment to Monsanto along with €50 million resulting from the derecognition of the Monsanto shares held by Bayer AG due to the retirement of the shares in connection with the acquisition. The miscellaneous financial income included €19 million from the sale of Covestro shares and a further €30 million in dividends of Covestro AG.

7. Income taxes

The tax expense reflected here comprises amounts paid or owed for corporate income tax, trade tax and the solidarity surcharge, and income taxes paid outside Germany.

As permitted by the option in Section 274, Paragraph 1, Sentence 2 of the German Commercial Code (HGB), the €1,238 million excess of deferred tax assets over deferred tax liabilities at year end was not recognized.

Deferred tax assets mainly resulted from the valuation of pension obligations being higher in the accounting statements than in the tax statements. Other deferred tax assets resulted from provisions that are not tax-deductible, such as those for impending losses and pre-retirement leave, and from differences in the measurement of, for example, provisions for early retirement and service anniversaries, as well as interests in partnerships. There was also a deferred tax asset relating to an as yet unused tax loss carryforward.

Deferred tax liabilities principally arose from differences between the valuations of noncurrent assets and assets invested with Bayer Pension Trust e. V., Germany, which cover pension commitments, in the accounting statements and the valuations in the tax statements.

8. Other taxes

Where other taxes can be allocated to the cost of goods sold, selling expenses, research and development expenses or general administration expenses, they are assigned to the respective expense items. In other cases they are assigned to other operating expenses. Other taxes totaled €8 million (2018: €9 million).

9. Cost of materials

Cost of Materials

€ million	2018	2019
Expenses for raw materials, supplies and purchased goods	4,726	4,751
Expenses for purchased services	593	560
	5,319	**5,311**

10. Personnel expenses/employees

Personnel Expenses

€ million	2018	2019
Wages and salaries	2,196	2,156
Social expenses and other employee benefits	235	248
Pension expenses	140	108
	2,571	**2,512**

The personnel-related additions to miscellaneous provisions in connection with the published restructuring measures are reflected in wages and salaries.

The personnel expenses shown here do not contain the interest portion of personnel-related provisions, especially pension provisions, which is included in net interest expense.

The average number of employees at Bayer AG in 2019 was 17,425, subdivided as follows:

Employees

	2019	
	Female	**Male**
Senior executives and senior managers	1,134	2,605
Junior managers and nonmanagerial employees	5,215	8,471
	6,349	**11,076**

Part-time employees are included in this figure on a prorated basis.

11. Stock-based compensation

Bayer AG offers its employees long-term stock-based compensation programs as an additional compensation component. Different collective programs are offered to different groups of employees.

The Aspire 2.0 program has been in place for members of the Board of Management, other senior executives and middle managers since 2016. With a new tranche launched each year, the Aspire program results in performance-related payments to employees. Each tranche runs for four years.

In addition, all employees of Bayer AG, regardless of position and level, are offered the BayShare program, which is set annually by the Board of Management and enables them to purchase Bayer stock at a discount.

Provisions are recorded for all obligations existing under the stock-based compensation programs at the closing date. The amount of such provisions is based on the fair value of the obligations and the proportion of the total duration of the respective program that has elapsed since its introduction. Allocations to provisions are expensed.

Aspire 2.0
Aspire is offered to all eligible employees in a new, standardized format named Aspire 2.0. Aspire 2.0 is also based on a percentage of each employee's annual base salary, the percentage varying according to his or her position. This is now multiplied by the employee's STI payout factor from the global short-term incentive (STI) program to give the Aspire grant value. The STI payout factor reflects the employee's individual performance and the business performance used for the STI program. The Aspire grant value is converted into virtual Bayer shares by dividing it by the share price at the start of the program. The program's performance is based on these virtual shares. The fair value of the obligations is determined from the price of Bayer stock at year end and the dividends paid up to that time. The payment made at the end of each tranche is determined by multiplying the number of virtual shares by the relevant Bayer share price at that time and adding an amount equivalent to the dividends paid during the period of the tranche. For the members of the Board of Management there is the additional hurdle of the performance of Bayer shares against the EURO STOXX. The maximum payout for Aspire 2.0 is 250% of the target amount.

The fair value of the Aspire tranche issued in 2016, which expired at the end of 2019, was determined from the payment amount of 69% of the target opportunity, which was already known on the closing date. The payment was made at the start of fiscal 2020.

BayShare
Under the BayShare program, Bayer subsidizes eligible employees' personal investments in Bayer stock. The discount under this program is set separately each year. In both 2019 and 2018, it was 20% of the subscription amount. As in 2018, the maximum subscription amount was set at €2,500 or €5,000, depending on the employee's position. The maximum subscription amount for apprentices was €1,800. The shares acquired under this program are held in a special share deposit account and have to be retained until December 31 of the year following the year of purchase.

Bayer AG's expenses for stock-based compensation programs in 2019 totaled €59 million (2018: €12 million). This amount is reflected in personnel expenses. Provisions for these programs amounted to €121 million as of December 31, 2019 (December 31, 2018: €61 million).

12. Valuation write-downs

In 2019, write-downs of €64 million (2018: €77 million) and €20 million (2018: €459 million) were made on investments in subsidiaries and on securities recognized in noncurrent assets, respectively, to reflect declines in value that were expected to be permanent.

Notes to the Statements of Financial Position

13. Intangible assets

Intangible Assets

€ million	Acquired concessions, industrial property rights, similar rights and assets, and licenses thereunder	Advance payments	Total
Gross carrying amounts, Dec. 31, 2018	198	5	203
Additions	20	–	20
Retirements	5	–	5
Transfers	5	(5)	–
Gross carrying amounts, Dec. 31, 2019	**218**	**–**	**218**
Accumulated amortization and write-downs, Dec. 31, 2018	69	–	69
Amortization and write-downs 2019	13	–	13
Accumulated amortization and write-downs, Dec. 31, 2019	**82**	**–**	**82**
Net carrying amounts, Dec. 31, 2019	**136**	**–**	**136**
Net carrying amounts, Dec. 31, 2018	129	5	134

14. Property, plant and equipment

Property, Plant and Equipment

€ million	Land and buildings	Plant, installa-tions and machinery	Furniture, fixtures and other equipment	Advance payments and assets under con-struction	Total
Gross carrying amounts, Dec. 31, 2018	62	23	23	3	111
Additions	–	5	1	2	8
Retirements	–	5	2	–	7
Transfers	–	1	–	(1)	–
Gross carrying amounts, Dec. 31, 2019	**62**	**24**	**22**	**4**	**112**
Accumulated depreciation and write-downs, Dec. 31, 2018	59	11	12	–	82
Depreciation and write-downs 2019	1	4	1	–	6
Retirements	–	3	2	–	5
Accumulated depreciation and write-downs, Dec. 31, 2019	**60**	**12**	**11**	**–**	**83**
Net carrying amounts, Dec. 31, 2019	**2**	**12**	**11**	**4**	**29**
Net carrying amounts, Dec. 31, 2018	3	12	11	3	29

15. Investments

Investments

€ million	Investments in subsidiaries	Loans to subsidiaries	Investments in other affiliated companies	Loans to other affiliated companies	Securities included in investments	Other loans	Total
Gross carrying amounts, Dec. 31, 2018	49,779	22,510	15	2	1,055	793	74,154
Additions	88	86	37	–	–	–	211
Retirements	644	2,603	–	2	164	–	3,413
Gross carrying amounts, Dec. 31, 2019	**49,223**	**19,993**	**52**	**–**	**891**	**793**	**70,952**
Accumulated write-downs, Dec. 31, 2018	157	7	–	–	459	1	624
Write-downs 2019	64	–	–	–	20	–	84
Write-backs	48	1	–	–	–	–	49
Retirements	24	–	–	–	71	–	95
Accumulated write-downs, Dec. 31, 2019	**149**	**6**	**–**	**–**	**408**	**1**	**564**
Net carrying amounts, Dec. 31, 2019	**49,074**	**19,987**	**52**	**–**	**483**	**792**	**70,388**
Net carrying amounts, Dec. 31, 2018	49,622	22,503	15	2	596	792	73,530

Additions to investments in subsidiaries included €38 million for the intra-Group acquisition of shares in Monsanto Latin America Holdings Co. LLC, United States, and Monsanto LA Holdings II Co. LLC, United States. The two acquired Monsanto companies were subsequently allocated to Bayer de México, S.A. de C.V., Mexico, resulting in additions and retirements in the same amount. The merger of Monsanto India Limited, India, with Bayer CropScience Limited, India, resulted in additions and retirements of €11 million. Other retirements related to a capital reduction at Bayer CropScience Aktiengesellschaft (€500 million), the sale of Bayer Beteiligungsverwaltungsgesellschaft mbH & Co. OHG (€47 million), the intra-Group sale of shares in Bayer (Proprietary) Limited, South Africa, (€17 million), a purchase price adjustment for Bayer New UK M3939 LLA, United States, which was acquired in 2018 (€6 million), and Chemie-Beteiligungsaktiengesellschaft in Liquidation, Switzerland (€25 million), with the latter also necessitating write-downs of €24 million.

The other write-downs recognized in 2019 pertained to Bayer New UK M3939 LLC, United States (€34 million), Bayer Türk Kimya Sanayii Limited Sirketi, Turkey (€18 million), and Bayer Capital Corporation B.V., Netherlands (€12 million). Write-backs recognized in 2019 pertained to Bayer Bitterfeld GmbH (€33 million), Siebte Bayer VV GmbH (€12 million) and Bayer Real Estate GmbH (€3 million).

The additions of €86 million to loans to subsidiaries included loans of €23 million to Bayer Israel Ltd., Israel, €56 million to Bayer Türk Kimya Sanayii Limited Sirketi, Turkey, and €7 million to Bayer New Zealand Ltd., New Zealand. The retirements of loans to subsidiaries included an amount of €2,600 million relating to the early repayment of a loan by Bayer CropScience Aktiengesellschaft.

The additions to investments in other affiliated companies primarily comprised €29 million for the purchase of shares in Arvinas Inc., United States, and €5 million for a capital increase at DCSO Deutsche Cyber-Sicherheitsorganisation GmbH.

The amount of €164 million in retirements of securities recognized in noncurrent assets resulted from the sale of 2.13 million Covestro AG shares, on which write-downs of €71 million were also recognized. A write-down of €20 million (2018: €459 million) was recognized at year end on the Covestro shares remaining in the portfolio due to the drop in the share price. The shares are to be used to service the exchangeable bond, listed under bonds, which can be converted into Covestro AG shares.

In 2008, Bayer AG established a repayable “effective initial fund” of €800 million for the pension fund Bayer-Pensionskasse VVaG, Germany, which was increased to €1,600 million in 2012. Of this amount, the pension fund has so far drawn €635 million. The capital provided for the effective initial fund is interest-bearing, but interest is only payable under certain contractually agreed conditions. Interest must be deferred if it would result in the pension fund reporting a net loss. Loans granted by the effective initial fund are contained in other loans.

Details of the subsidiary and affiliated companies of Bayer AG pursuant to Section 285, Numbers 11, 11a and 11b of the German Commercial Code are included in the annual financial statements that have been certified and submitted for publication in the German Federal Gazette (Bundesanzeiger). They are also available at www.bayer.com/shareownership2019.

16. Inventories

Inventories

€ million	Dec. 31, 2018	Dec. 31, 2019
Raw materials and supplies	584	573
Work in process	956	1,018
Finished goods	549	544
Goods purchased for resale	101	74
Advance payments	7	–
	2,197	**2,209**

17. Trade accounts receivable

Trade Accounts Receivable

€ million	Dec. 31, 2018	Dec. 31, 2019
Accounts receivable from subsidiaries	1,758	1,294
Accounts receivable from other customers	355	337
	2,113	**1,631**

18. Accounts receivable from subsidiaries

Accounts receivable from subsidiaries mainly comprised financial receivables, for example, in connection with loans or overnight funds, accrued interest, and receivables relating to profit transfers from subsidiaries that form a fiscal entity with Bayer AG.

19. Other assets

The other assets comprised:

Other Assets

€ million	Dec. 31, 2018	Dec. 31, 2019
Payroll receivables	15	14
Accrued interest	33	18
Claims for tax refunds	131	629
Receivables under collaboration agreements	18	17
Remaining other assets	101	37
	298	**715**

The other assets included €10 million (2018: €33 million) for assets that did not legally come into being until after year end. With some insignificant exceptions, these consisted entirely of accrued interest.

20. Receivables and other assets maturing in more than one year

As in the previous year, all receivables and other assets were due in less than one year.

21. Deferred charges

The deferred charges as of December 31, 2019, included unamortized discounts totaling €10 million pertaining to bonds issued by Bayer AG. The amount of €6 million recognized at the start of the year was increased by €6 million due to additions and was diminished by €2 million due to amortization. In 2018 this item also reflected unamortized discounts totaling €13 million, which pertained to the mandatory convertible bond issued by Bayer Capital Corporation B.V., Netherlands. This bond matured in 2019.

Likewise reported here are accrued charges of €19 million (2018: €33 million) for credit facilities that Bayer had arranged for the acquisition of Monsanto, among other things.

The remaining deferred charges comprised advance payments of charges for other credit facilities, prepaid premiums for business insurance and other accrued charges.

22. Surplus from offsetting

Obligations arising from credit balances on employees' long-term worktime accounts and from pension commitments are either fully or partially secured. The assets invested under individual contractual trust arrangements (CTAs) are offset against the underlying obligations. Any positive difference is capitalized as a surplus from offsetting, otherwise it is reflected in provisions. As of December 31, 2019, the offset resulted in a positive difference of €173 million (2018: €93 million), of which €65 million (2018: €31 million) comprised obligations from long-term worktime accounts and €108 million (2018: €62 million) comprised pension commitments.

Surplus from Offsetting

€ million	Dec. 31, 2018	Dec. 31, 2019
Settlement value of obligations relating to credit balances on employees' long-term worktime accounts	129	167
Fair value of assets invested with Bayer Pension Trust	160	232
Differences between assets and obligations relating to long-term worktime accounts (surplus from offsetting)	**31**	**65**
Acquisition cost of assets invested with Bayer Pension Trust	162	209

€ million	Dec. 31, 2018	Dec. 31, 2019
Settlement value of pension commitments	493	532
Fair value of assets invested with Bayer Pension Trust	555	640
Differences between assets and obligations relating to pension commitments (surplus from offsetting)	**62**	**108**
Acquisition cost of assets invested with Bayer Pension Trust	523	526

The collateral assets are measured at fair value. Their fair value as of December 31, 2019, was €4,222 million. Offsetting €872 million of the collateral assets against underlying obligations resulted in a positive difference, which was recorded as a surplus from offsetting; offsetting of the remaining €3,350 million against obligations was reported under provisions for pensions.

23. Equity

Changes in equity in 2019 were as follows:

Equity

€ million	Dec. 31, 2018	Capital increase	Dividend for 2018	Net income	Dec. 31, 2019
Capital stock	2,387	128	–	–	2,515
Capital reserves	14,975	3,870	–	–	18,845
Other retained earnings	7,686	–	–	1,806	9,492
Distributable profit	2,611	–	(2,611)	2,751	2,751
	27,659	**3,998**	**(2,611)**	**4,557**	**33,603**

The capital stock of Bayer AG increased by €127,672,622.08 to €2,515,005,649.92 (2018: €2,387,333,027.84). It is divided into 982,424,082 (2018: 932,551,964) no-par registered shares with a notional value of €2.56 per share and is fully paid up. Each share confers one voting right.

On November 22, 2016, Bayer placed €4.0 billion in mandatory convertible notes without granting subscription rights to existing stockholders of the company. The notes, denominated in units of €100,000, were issued by Bayer Capital Corporation B.V., Netherlands, under the subordinated guarantee of Bayer AG. The proceeds were the subject of an intra-Group transfer to Bayer AG. Where holders had not already exercised the right of conversion, the notes were mandatorily converted into registered no-par shares of Bayer AG when they matured on November 22, 2019. Fractional amounts that could not be exchanged for shares upon the conversion of the bond units of €100,000 each were repaid in cash. The mandatory convertible notes were accounted for as payables to subsidiaries until their respective conversion dates. A total of 49,872,118 shares with a notional value of €2.56 per share were issued.

The authorization to increase the capital stock out of the authorized capital or the conditional capital that was granted by the Annual Stockholders' Meeting on April 29, 2014, expired in 2019 and was not extended.

Information on amounts barred from distribution pursuant to Section 253, Paragraph 6 and Section 268, Paragraph 8 of the German Commercial Code (HGB)

The provisions for pensions recognized in the statement of financial position (before deduction of the corresponding assets) were calculated on the basis of the relevant average market interest rate for the past ten years. If the average for the past seven years had been used, the obligations would have been €574 million higher.

To secure pension obligations and credit balances on employees' long-term worktime accounts, funds have been transferred to Bayer Pension Trust e. V. (BPT), Germany, under several contractual trust arrangements (CTAs).They may only be used for the specified purpose and are protected from other creditors in the event that the employer becomes insolvent. They are measured at fair value. The total fair value of the fund assets of all the CTAs was €514 million above their total acquisition cost of €3,708 million.

The sum of the difference between the pension obligations based on the average interest rate for ten and seven years and the difference between the higher fair value and acquisition cost of the assets held by BPT was €1,088 million. Since the freely available retained earnings amount to €9,492 million, there is no restriction on the use of the distributable profit of €2,751 million.

Notifications of direct and indirect stockholdings pursuant to Section 33, Paragraph 1 of the Securities Trading Act (WpHG)

Between the start of the fiscal year and the closing date, we received the following notifications of stockholdings in Bayer AG pursuant to Section 33, Paragraph 1 of the German Securities Trading Act (WpHG). In cases where stockholdings reached, exceeded or fell below the thresholds set out in this legislation on several occasions, only the most recent notification is mentioned:

- The Kingdom of Norway, Oslo, Norway, represented by the Minister of Finance, notified us that its voting rights amounted to 2.9999% on December 30, 2019. 2.99% of these voting rights (29,329,145 voting rights) were attributable to it pursuant to Section 34 WpHG. 0.01% of these voting rights (142,126 voting rights) were attributable to it as an instrument within the meaning of Section 38, Paragraph 1, No. 1 WpHG (securities loan). 0.00002% of these voting rights (150 voting rights) were attributable to it as an instrument within the meaning of Section 38, Paragraph 1, No. 2 WpHG (contract for difference).
- Goldman Sachs Group, Wilmington, U.S.A., notified us that its voting rights amounted to 0.29% on May 3, 2019. 0.07% of these voting rights (613,925 voting rights) were attributable to this company pursuant to Section 34 WpHG. 0.02% of these voting rights (228,774 voting rights) were attributable to this company as an instrument within the meaning of Section 38, Paragraph 1, No. 1 WpHG (securities loan). 0.2% of these voting rights (1,830,814 voting rights) were attributable to this company as an instrument within the meaning of Section 38, Paragraph 1, No. 2 WpHG (call option, put option, swap or contract for difference).
- Harris Associates L.P., Wilmington, U.S.A., notified us that its voting rights amounted to 2.99% on August 15, 2019. 2.99% of these voting rights (27,902,083 voting rights) were attributable to this company pursuant to Section 34 WpHG.

For further details, please see the individual voting rights notifications, which are published on our website at www.bayer.com.

24. Provisions for pensions

This item includes provisions for current and future pension entitlements.

It also includes commitments to former employees of the business areas and service areas hived down into separate legal entities in 2002 and 2003 who retired before July 1, 2002, or who left the company before this date and have vested pension rights. The respective companies reimburse Bayer AG for these expenses as a matter of course.

Obligations arising from pension commitments are partially secured by assets invested with Bayer Pension Trust e. V., Leverkusen. Any positive difference from the offsetting of these assets against the underlying obligations is capitalized as a surplus from offsetting, while any negative difference is reflected in provisions.

Further information on the CTA is given in Note 22.

Provisions for Pensions

€ million	Dec. 31, 2018	Dec. 31, 2019
Settlement value of pension commitments	4,021	4,368
Fair value of assets invested with Bayer Pension Trust	2,854	3,350
Net value of pension commitments (provisions)	**(1,167)**	**(1,018)**
Acquisition cost of assets invested with Bayer Pension Trust	2,905	2,973

25. Other provisions

Other Provisions

€ million	Dec. 31, 2018	Dec. 31, 2019
Provisions for taxes	451	361
Miscellaneous provisions	1,541	1,865
	1,992	**2,226**

Miscellaneous provisions include amounts for incentive payments, long-service awards to employees, early retirement arrangements, vacations, compensation of the Supervisory Board, environmental protection measures, the costs of preparing and auditing the annual financial statements, and other uncertain liabilities. They also included provisions for impending losses, for example on foreign exchange derivatives, out-licensing agreements and sales contracts.

In 2019, €422 million was allocated to miscellaneous provisions and provisions for pensions through profit and loss in connection with the announced restructuring measures and an amount of €103 million was reversed. As of December 31, 2019, the miscellaneous provisions for restructuring-related personnel measures amounted to €582 million.

26. Bonds and promissory notes

There were no longer any promissory notes outstanding as of December 31, 2019 (December 31, 2018: €45 million). Bonds with a total nominal value of €6,300 million existed as of December 31, 2019 (December 31, 2018: €6,300 million). They comprised:

Bonds

	Nominal value	Stated rate	Effective rate	Dec. 31, 2018	Dec. 31, 2019
		%	%	€ million	€ million
DIP bond 2014/2021	EUR 750 million	1.875	2.086	750	750
Hybrid bond 2014/2074[1]	EUR 1,500 million	3.750	3.811	1,500	1,500
Hybrid bond 2014/2075[2]	EUR 1,750 million	3.000	3.093	1,750	–
Hybrid bond 2015/2075[3]	EUR 1,300 million	2.375	2.517	1,300	1,300
Exchangeable bond 2017/2020 (convertible)	EUR 1,000 million	0.050	-1.640	1,000	1,000
Hybrid bond 2019/2079[4]	EUR 1,000 million	2.375	2.5967	–	1,000
Hybrid bond 2019/2079[5]	EUR 750 million	3.125	3.1915	–	750
				6,300	**6,300**

[1] Redeemable at 12 months' notice from 2024, fixed interest rate until 2024, thereafter floating rate based on 5-year swap rate
[2] Repurchased at the end of 2019 before the first call date
[3] Redeemable at 12 months' notice from 2022; fixed interest rate until 2022, thereafter floating rate based on 5-year swap rate plus 200.7 basis points
[4] Redeemable at 12 months' notice from 2025; fixed interest rate until 2025, thereafter floating rate based on 5-year swap rate
[5] Redeemable at 12 months' notice from 2027; fixed interest rate until 2027, thereafter floating rate based on 5-year swap rate

27. Trade accounts payable

Trade Accounts Payable

€ million	Dec. 31, 2018	Dec. 31, 2019
Payables to subsidiaries	832	598
Payables to other suppliers	1,081	1,126
	1,913	**1,724**

28. Payables to subsidiaries

The payables to subsidiaries mainly comprised financial liabilities such as loans and overnight funds made available to Bayer AG by subsidiaries, plus the respective accrued interest. With the maturing of the mandatory convertible bond issued by Bayer Capital Corporation B.V., Netherlands, the proceeds of which were the subject of an intra-Group transfer to Bayer AG, payables to subsidiaries were reduced by €4 billion.

29. Miscellaneous liabilities

The miscellaneous liabilities comprised:

Miscellaneous Liabilities

€ million	Dec. 31, 2018	Dec. 31, 2019
Accrued interest	108	72
Short-term investments with Bayer AG	150	61
Liabilities from hedges	–	47
Social insurance liabilities	1	1
Employees' income and church taxes	77	85
Liabilities relating to income and sales taxes	23	32
Payment obligation to Bayer-Pensionskasse VVaG due to effective initial fund being accessed	40	–
Other	83	106
	482	**404**

As in the previous year, the other miscellaneous liabilities included payroll liabilities, current account liabilities and premiums received from the issuance of a convertible bond.

30. Further information on other liabilities

The residual maturities of other liabilities were as follows:

Maturity Structure of Other Liabilities

	Dec. 31, 2018		Dec. 31, 2019	
€ million	Maturing in 2019	Maturing after 2019	Maturing in 2020	Maturing after 2020
Bonds and promissory notes	45	6,300	1,000	5,300
Liabilities to banks	14	4,137	22	3,228
Down payments received on orders	18	–	3	–
Trade accounts payable	1,900	13	1,714	10
Payables to subsidiaries	35,149	4,531	33,139	2,815
Miscellaneous liabilities	427	55	404	–
	37,553	**15,036**	**36,282**	**11,353**

€5,383 million (2018: €6,471 million) of the total other liabilities had a residual maturity of more than five years. Of this amount, €4,550 million (2018: €4,550 million) comprised bonds and €833 million (2018: €1,921 million) comprised payables to subsidiaries.

The total other liabilities included €72 million (2018: €108 million) in liabilities that did not legally come into being until after year end. These consisted almost entirely of accrued interest.

31. Deferred income

The deferred income comprised advance payments under licenses and settlement agreements as well as payments for services to be delivered in the future.

Other Information

32. Contingent liabilities

Liabilities arising from debt guarantees totaled €27,873 million (2018: €33,016 million). They were issued in favor of subsidiaries. Based on our knowledge of their respective economic situations, all of these companies are able to meet the underlying liabilities. The contingent liabilities are therefore not expected to materialize.

Debt Guarantees

	Dec. 31, 2018 Nominal amount	Dec. 31, 2018 € million	Dec. 31, 2019 Nominal amount	Dec. 31, 2019 € million
Guarantees for current and former Group companies				
Bayer Capital Corporation B.V., Netherlands				
– 1.250% DIP notes, maturing in 2023	EUR 500 million	500	EUR 500 million	500
– 5.625% mandatory convertible bond, maturing in 2019 at the latest	EUR 4,000 million	4,000	–	–
– 0.227% DIP notes, maturing in 2022	EUR 750 million	750	EUR 750 million	750
– 0.625% DIP notes, maturing in 2022	EUR 1,000 million	1,000	EUR 1,000 million	1,000
– 1.500% DIP notes, maturing in 2026	EUR 1,750 million	1,750	EUR 1,750 million	1,750
– 2.125% DIP notes, maturing in 2029	EUR 1,500 million	1,500	EUR 1,500 million	1,500
– Liabilities to banks	EUR 20 million	20	–	–
Bayer Corporation, U.S.A.				
– 6.650% notes, maturing in 2028	USD 350 million	306	USD 350 million	311
– Commercial paper	USD 65 million	57	USD 827 million	736
– Liabilities to banks	USD 81 million	70	USD 86 million	77
Bayer US Finance LLC, U.S.A.				
– 2.375% notes, maturing in 2019	USD 2,000 million	1,746	–	–
– 3.000% notes, maturing in 2021	USD 1,500 million	1,309	USD 1,500 million	1,336
– 3.375% notes, maturing in 2024	USD 1,750 million	1,528	USD 1,750 million	1,558
Bayer US Finance II LLC, U.S.A.				
– 2.125% notes, maturing in 2019	USD 311 million	272	–	–
– 3.500% notes, maturing in 2021	USD 1,250 million	1,091	USD 1,250 million	1,113
– 2.965% notes, maturing in 2021	USD 1,250 million	1,091	USD 1,250 million	1,113
– 2.750% notes, maturing in 2021	USD 318 million	278	USD 318 million	283
– 2.200% notes, maturing in 2022	USD 189 million	165	USD 189 million	168
– 3.345% notes, maturing in 2023	USD 1,250 million	1,091	USD 1,250 million	1,113
– 3.875% notes, maturing in 2023	USD 2,250 million	1,964	USD 2,250 million	2,003
– 3.375% notes, maturing in 2024	USD 609 million	532	USD 609 million	543
– 2.850% notes, maturing in 2025	USD 250 million	218	USD 250 million	222
– 5.500% notes, maturing in 2025	USD 276 million	241	USD 276 million	246
– 4.250% notes, maturing in 2025	USD 2,500 million	2,182	USD 2,500 million	2,226
– 4.375% notes, maturing in 2028	USD 3,500 million	3,055	USD 3,500 million	3,117
– 4.200% notes, maturing in 2034	USD 427 million	373	USD 427 million	380
– 5.500% notes, maturing in 2035	USD 318 million	278	USD 318 million	283
– 5.875% notes, maturing in 2038	USD 212 million	185	USD 212 million	189
– 4.625% notes, maturing in 2038	USD 1,000 million	873	USD 1,000 million	890
– 3.600% notes, maturing in 2042	USD 241 million	210	USD 241 million	214
– 4.650% notes, maturing in 2043	USD 292 million	255	USD 292 million	260
– 4.400% notes, maturing in 2044	USD 916 million	800	USD 916 million	816
– 3.950% notes, maturing in 2045	USD 449 million	392	USD 449 million	400
– 4.875% notes, maturing in 2048	USD 2,000 million	1,746	USD 2,000 million	1,781
– 4.700% notes, maturing in 2064	USD 727 million	634	USD 727 million	647
Bayer Holding Ltd., Japan				
– 0.594% DIP bond, maturing in 2019	JPY 10 billion	79	–	–
– 0.230% DIP bond, maturing in 2021	JPY 10 billion	79	JPY 10 billion	82
– 0.260% DIP bond, maturing in 2022	JPY 10 billion	79	JPY 10 billion	82
Monsanto Company, U.S.A.				
– Lease contracts	USD 120 million	105	USD 120 million	107
Silver Birch Trustees Ltd., U.K.				
– Pension obligations	GBP 74 million	82	–	–
Bayer Real Estate GmbH, Germany				
– Contractual obligations to Bayer-Pensionskasse VVaG	EUR 71 million	71	EUR 68 million	68
Currenta GmbH & Co. OHG, Germany				
– Liabilities to the German state of North Rhine-Westphalia	EUR 53 million	53	–	–
Guarantees for other Group companies		6		9
		33,016		**27,873**

Debt Guarantees

	Dec. 31, 2018	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2019
	Nominal amount	€ million	Nominal amount	€ million

Bayer AG issued commitments for its subsidiaries Bayer CropScience Deutschland GmbH, Bayer CropScience Biologics GmbH and Monsanto Agrar Deutschland GmbH, under which it assumed liability until the end of 2020 for obligations of these companies that arose in 2019. Based on our knowledge of their respective economic situations, these companies are able to meet the underlying obligations. The contingent liabilities are therefore not expected to materialize.

The company remains liable for pension obligations of €371 million (2018: €373 million) that were transferred to a subsidiary through a liability assumption agreement or via carve-outs. The company's liability in this regard is not expected to materialize. To our knowledge, the subsidiary concerned is able to meet the respective obligations.

In connection with the Contribution, Indemnification and Post-Formation Agreement between Bayer AG and Covestro AG, Germany, arrangements have been made to settle possible claims for taxes. These may result in corresponding liabilities.

In connection with the sale of the Animal Health business to Elanco Animal Health Incorporated, agreements were reached regarding the potential settlement of tax claims that may result in corresponding liabilities.

33. Other financial commitments

In addition to provisions, other liabilities and contingent liabilities, there were also other financial commitments.

A total commitment of €3,652 million (2018: €3,360 million) related to future leasing and rental payments. €3,483 million (2018: €3,308 million) of this amount related to lease contracts and rental agreements with subsidiaries. The total lease and rental commitments are due as follows:

Lease and Rental Commitments

	€ million
2020	2,016
2021	191
2022	190
2023	188
2024	188
after 2024	879
	3,652

In 2008, the establishment of an "effective initial fund" totaling €800 million was agreed with Bayer-Pensionskasse in view of the increase in the present and future life expectancy of those insured with this pension fund. The effective initial fund entails the granting of repayable, interest-bearing loans to Bayer-Pensionskasse as required. In 2012, it was increased by €800 million to €1,600 million. Following payment of a total of €635 million, a loan commitment of €965 million remained.

In 2019, the establishment of an “effective initial fund” totaling €200 million was agreed with the Rheinische Pensionskasse for the first time, again in view of the increase in the present and future life expectancy of those insured with this pension fund. The effective initial fund entails the granting of repayable, interest-bearing loans to Rheinische Pensionskasse as required. Since no payments had yet been made, a loan commitment of €200 million remained.

Financial commitments resulting from orders already placed under purchase agreements related to planned or ongoing capital expenditure projects totaled €280 million (2018: € 350 million). The respective payments are to be made through 2022, with €226 million due in 2020. Additional commitments to subsidiaries amounted to €2 million. All of the corresponding payments are due in 2020.

Furthermore, based on current estimates, payments of €4,658 million (2018: €3,313 million) will have to be made for license agreements and research collaborations in the coming years. The maturity spread of the total commitments comprised:

Collaboration Agreements

	€ million
2020	1,015
2021	70
2022	54
2023	86
2024	24
after 2024	3,409
	4,658

34. Derivatives/hedging relationships

In the course of their business, Bayer AG and companies in the Bayer Group are exposed to foreign exchange, interest-rate and price risks, which are hedged principally by means of derivatives. Most of these are over-the-counter (OTC) instruments. Derivative financial instruments are employed on the basis of uniform guidelines and are subject to strict internal controls. Apart from a few low-value exceptions, their use is confined to the hedging of the Bayer Group’s operating business and of the related investments and financing transactions. The instruments used for currency hedging are mainly forward exchange contracts, currency options and cross-currency interest-rate swaps. Interest-rate swaps are used to hedge interest rates. Share options are used to hedge fluctuations in the value of commitments to employees under stock-based compensation programs.

The main objective of using derivatives is to reduce fluctuations in earnings and cash flows associated with changes in foreign exchange rates, interest rates, share prices and market prices.

There is a risk that the value of derivatives could change as a result of fluctuations in underlying parameters such as exchange rates, interest rates, share prices or market prices. Where derivatives are designated as hedges, possible declines in their value are offset by corresponding increases in the value of the hedged contracts.

In the case of derivatives with a positive fair value, a credit or default risk arises if the counterparties cannot meet their obligations. To minimize this risk, contract limits are assigned to the individual banks according to their creditworthiness.

The notional amount of financial derivatives contracts concluded with external counterparties was €19.9 billion as of December 31, 2019 (2018: €20.4 billion). Back-to-back derivatives contracts in a notional amount of €5.6 billion (2018: €6.0 billion) were concluded with Group companies. Thus the total notional amount of derivatives was €25.5 billion (2018: €26.4 billion), including those forming hedging relationships. The derivatives comprised the following:

Derivatives

	Notional amounts		Positive fair values		Negative fair values	
€ million	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019
Currency contracts	22,378	23,555	136	111	(201)	(214)
Currency options	64	116	–	–	–	–
Cross-currency interest-rate swaps	2,456	376	81	1	(81)	(1)
Interest-rate swaps	200	200	9	6	–	–
Stock options	1,306	1,267	175	51	(226)	(61)
	26,404	**25,514**	**401**	**169**	**(508)**	**(276)**

Measurement methods

The fair values of financial derivatives are measured by the usual methods and based on the market data available at the measurement date. The following principles are applied:

// Currency contracts are measured individually at their forward rates on the closing date. The forward rates depend on spot rates, including time spreads.
// The fair values of currency options are determined using a Black-Scholes model.
// The fair values of interest-rate swaps are determined by discounting expected future cash flows. Discounting applies market interest rates for the remaining term of these instruments.
// The fair values of stock options are determined by a Monte Carlo simulation.

Hedging relationships

Due to existing and planned transactions, the company is subject to currency, interest rate and share price risks that in most cases are hedged through the use of financial derivatives that are pooled together to form hedging relationships. The table below presents the obligations that would arise without the hedging.

Hedging Relationships

€ million	Type of risk	Hedging relationship	Amount of the underlying transaction	Hedged risk
				Dec. 31, 2019
Hedging of currency risks through currency contracts and options				
– Assets and liabilities in foreign currencies	Currency risk	Macro-hedge	746	21
– Currency contracts passed on to Group companies	Currency risk	Portfolio hedge	4,864*)	15
– Currency loans and deposits with Group companies	Currency risk	Portfolio hedge	5,091	8
– Planned future sales	Currency risk	Micro-hedge	3,487	11
Hedging of currency risks through cross-currency interest-rate swaps				
– Cross-currency interest-rate swaps passed on to Group companies	Currency risk	Micro-hedge	192	0
Hedging of interest-rate risks through interest-rate swaps				
– Bonds	Interest-rate risk	Micro-hedge	200	6
Hedging of share-price risks from customized forward trade contracts				
– Customized forward trade contracts passed on to Group companies	Share price risk	Portfolio hedge	561*)	0

*) These figures pertain to the nominal volumes of the hedging transactions

Currency-based portfolio hedges were also formed with the respective transactions underlying the hedges concluded for Bayer AG. Provisions of €41 million were established for the negative ineffectiveness of micro-hedges. Currency contracts concluded to hedge Group companies' transactions are generally passed through to the respective companies by way of appropriate internal transactions. The effects of these internal and external transactions cancel each other out when the contracts are closed out. Currency-based portfolio hedges were formed. The underlying transactions mature in 2020. Cross-currency interest-rate swaps exist to hedge Group loans granted by Bayer World Investments B.V., Netherlands. As a result of back-to-back agreements with Bayer World Investments B.V., the positive and negative fair values within multiple portfolio hedges formed according to the different maturities of the cross-currency interest-rate swaps canceled each other out.

Interest-rate swaps in the form of receiver swaps were used partly to hedge the interest-rate risk relating to DIP bonds issued by Bayer AG. The swaps mature in the period through 2022 in line with the maturities of the bonds. They constituted a hedging relationship with the bonds, which were recognized in the statement of financial position. The effectiveness of the hedging relationship is examined prospectively and retrospectively using regression analysis. Since the cash flows relating to the hedged contract and the receiver swaps cancel each other out, the receiver swaps were not reflected in the statement of financial position. Bayer AG has concluded customized forward trade contracts with external counterparties to hedge a portion of the obligations arising from the Aspire stock-based compensation program. These contracts were passed through to other companies in the Bayer Group. They expire between 2020 and 2023 in line with the duration of the respective Aspire tranches. The contracts passed through to Group companies formed micro-hedges with the contracts concluded with external counterparties. The amounts resulting from these contracts therefore canceled each other out.

Derivatives that do not form hedging relationships

Financial derivatives that do not form hedging relationships were used to hedge a portion of the obligations arising from the Aspire stock-based compensation program of Bayer AG. The customized forward trade contracts concluded for this purpose had a negative fair value of €16 million, which was recognized in provisions for impending losses.

Items in the statement of financial position and carrying amounts

The carrying amounts of hedging transactions that did not form hedging relationships or that led to ineffectiveness were recognized under the following items in the statement of financial position:

€ million	Item in the statement of financial position	Carrying amount Dec. 31, 2019
Options premiums paid	Other assets	1
Provisions for impending losses from forward exchange transactions	Miscellaneous provisions	41
Provisions for impending losses from forward stock transactions	Miscellaneous provisions	16
Options premiums received	Miscellaneous liabilities	(1)

35. Legal risks

As the parent of a global group of companies with a heterogeneous business portfolio, Bayer AG is exposed to numerous legal risks, particularly in the areas of product liability, competition and antitrust law, patent disputes, tax law and environmental protection. 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 our 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. The risks described are those to which Bayer AG is exposed either directly, or indirectly through subsidiaries with which it has profit and loss transfer and/or control agreements. Further legal risks existing in the Bayer Group are described in the notes to the consolidated financial statements of the Bayer Group.

Product-Related Litigation

Mirena™: As of February 6, 2020, lawsuits from approximately 730 users of Mirena™, a levonorgestrel-releasing intrauterine system providing long-term contraception, had been served upon Bayer in the United States (excluding lawsuits no longer pending or subject to pending dismissal motions). Plaintiffs allege personal injuries resulting from the use of Mirena™, including 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 its use and failed to adequately warn its users. In 2017, most of the cases pending in U.S. federal courts in which plaintiffs allege idiopathic intracranial hypertension were consolidated in a multidistrict litigation ("MDL") proceeding for common pre-trial management. In June 2019, the MDL court granted summary judgment dismissing all of the approximately 730 cases pending before that court. Plaintiffs are appealing the decision. Another MDL proceeding concerning perforation cases has been dismissed. Cases in which plaintiffs allege perforation have been settled for a total amount of US$12 million. The settlement was funded in November 2019. All served cases alleging injuries other than idiopathic intracranial hypertension have been dismissed or have dismissals pending.

As of February 6, 2020, five Canadian lawsuits relating to Mirena™ seeking class action certification had been served upon Bayer. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

Bayer believes the risks remaining in this litigation are no longer material.

Xarelto™: As of February 6, 2020, U.S. lawsuits from approximately 27,200 recipients of Xarelto™, an oral anticoagulant for the treatment and prevention of blood clots, had been served upon Bayer and Janssen Pharmaceuticals, Inc., the company distributing Xarelto™ in the United States. 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, among other things, that Xarelto™ is defective and that Bayer knew or should have known of these risks associated with the use of Xarelto™ and failed to adequately warn its users. Additional lawsuits are anticipated. In March 2019, after prevailing in all six cases that went to trial, Bayer and Janssen reached a global agreement to settle virtually all pending US cases for US$ 775 million. In January 2020, the settlement – split equally between the two companies – was fully funded and all pending appeals have been dismissed. The claims administrator has begun the process of fund allocation and dismissals of the settled cases will follow. Any remaining cases will need to satisfy requirements or be subject to dismissal.

As of February 6, 2020, ten Canadian lawsuits relating to Xarelto™ seeking class action certification had been served upon Bayer. One of the proposed class actions has been certified. Bayer has filed a motion for leave to appeal. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

Essure™: As of February 6, 2020, U.S. lawsuits from approximately 33,100 users of Essure™, a medical device offering permanent birth control with a nonsurgical procedure, had been served upon Bayer. Plaintiffs allege personal injuries from the use of Essure™, including hysterectomy, perforation, pain, bleeding, weight gain, nickel sensitivity, depression and unwanted pregnancy, and seek compensatory and punitive damages. Additional lawsuits are anticipated.

As of February 6, 2020, two Canadian lawsuits relating to Essure™ seeking class action certification had been served upon Bayer. One of the proposed class actions was certified. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

Class actions over neonicotinoids in Canada: Proposed class actions against Bayer were filed in Quebec and Ontario (Canada) concerning crop protection products containing the active substances imidacloprid and clothianidin (neonicotinoids). The plaintiffs are honey producers, who have filed a proposed nationwide class action in Ontario and a Quebec-only class action in Quebec. Plaintiffs claim for compensatory damages and punitive damages and allege Bayer and another crop protection company were negligent in the design, development, marketing and sale of neonicotinoid pesticides. The proposed Ontario class action is in a very early procedural phase. In Quebec, a court certified a class proposed by plaintiffs in 2018. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

In connection with the above-mentioned proceedings, Bayer is insured against statutory product liability claims against Bayer to the extent customary in the respective industries and has, based on the information currently available, taken appropriate accounting measures in the Bayer Group for anticipated defense costs. However, the accounting measures relating to Essure™ claims exceed the available insurance coverage.

Patent Disputes

Adempas™: In 2018, Bayer filed patent infringement lawsuits in a U.S. federal court against Alembic Pharmaceuticals Limited, Alembic Global Holding SA, Alembic Pharmaceuticals, Inc. and INC Research, LLC (together “Alembic”), against MSN Laboratories Private Limited and MSN Pharmaceuticals Inc. (together “MSN”) and against Teva Pharmaceuticals USA, Inc. and Teva Pharmaceutical Industries Ltd. (together “Teva”). In 2017, Bayer had received notices of an Abbreviated New Drug Application with a paragraph IV certification (“ANDA IV”) pursuant to which Alembic, MSN and Teva each seek approval of a generic version of Bayer’s pulmonary hypertension drug Adempas™ in the United States. In 2018, the court decided, upon a joint request by Bayer and Teva, that Bayer’s patent is valid and infringed by Teva. This terminated the patent dispute with Teva. In 2019, the lawsuit against Alembic was dismissed after the expiry of the only patent at issue in the dispute with Alembic. The patent upheld in the proceeding against Teva continues to be in force and at issue in the dispute with MSN.

Further Legal Proceedings

BASF arbitration: In September 2019, Bayer was served with a request for arbitration by BASF SE. BASF alleges to have indemnification claims under the asset purchase agreements signed in 2017 and 2018 related to the divestment of certain CropScience businesses to BASF. BASF alleges that particular cost items, including certain personnel costs, had not been appropriately disclosed and allocated to some of the divested businesses. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

36. Related parties

Related parties are legal entities or natural persons that are able to exert influence on Bayer AG or over which Bayer AG exercises control or has a significant influence.

Transactions with related parties mainly comprise rental, service and financing transactions with subsidiaries, joint ventures and other affiliated companies, and with pension plans. Such transactions are conducted on market terms (arm's length principle).

Bayer AG has undertaken to provide jouissance right capital *(Genussrechtskapital)* totaling €150 million for Bayer-Pensionskasse. The entire amount remained drawn in both 2018 and 2019. Further, in 2008 the establishment of a repayable "effective initial fund" was agreed with Bayer-Pensionskasse. This was increased by €800 million to €1,600 million in 2012. The amount drawn as of December 31, 2019, was €635 million, and was thus unchanged from a year earlier.

37. Disclosures pursuant to Section 6b Paragraph 2 of the German Energy Act

There were no unusual transactions in connection with energy supply that were of material significance for the net assets and results of operations of Bayer AG and required disclosure under Section 6b Paragraph 2 of the German Energy Act (EnWG).

38. Audit fees

Information on audit fees for 2019 is provided in the Notes to the Consolidated Financial Statements of the Bayer Group. The exemption under Section 285, No. 17 of the German Commercial Code (HGB) is applied in this respect.

The fees for the financial statements audit services of Deloitte GmbH Wirtschaftsprüfungsgesellschaft primarily comprised those for the audits of the consolidated financial statements of the Bayer Group and of the financial statements of Bayer AG and its subsidiaries. The audit-related services and other audit work performed by Deloitte GmbH Wirtschaftsprüfungsgesellschaft in 2019 mainly concerned the sale of Animal Health and largely consisted of voluntary financial statements audits and audit reviews. In addition, other Deloitte companies performed financial statements audit services for subsidiaries of Bayer AG, compliance-related tax consultancy services that do not materially or directly impact the consolidated financial statements of the Bayer Group or the financial statements of Bayer AG, and other services in connection with the sale of Animal Health.

39. Events of particular significance after the end of the fiscal year

On February 11, 2020, Bayer announced that it had entered into a definitive agreement to transfer a large part of its Berlin-based small molecule research unit to Nuvisan ICB GmbH, a subsidiary of Nuvisan GmbH. Based in Neu-Ulm, Germany, the Nuvisan group is an international service provider for clinical studies, laboratory services and contract manufacturing for the pharmaceuticals industry.

40. Total compensation of the Board of Management and the Supervisory Board and loans

The total compensation of the members of the Board of Management serving in 2019 comprised:

Total Compensation of the Board of Management

€ thousand	2018	2019
Fixed annual compensation	6,387	6,615
Fringe benefits	1,825	1,612
Short-term variable cash compensation	6,937	7,049
Long-term stock-based cash compensation (Aspire)[1]	9,360	10,864
Aggregate compensation	**24,509**	**26,140**
Pension service cost[2]	2,745	2,753

[1] Fair value at the grant date
[2] Including company contributions to Bayer-Pensionskasse VVaG and Rheinische Pensionskasse VVaG

The total compensation of the Board of Management included €551 thousand (2018: €583 thousand) in fixed compensation, €374 thousand (2018: €1,000 thousand) in fringe benefits, €643 thousand (2018: €581 thousand) in short-term variable cash compensation, and €827 thousand (2018: €874 thousand) in long-term stock-based cash compensation that members of the Board of Management received from our subsidiary Bayer Consumer Care AG, Switzerland. Of the pension service cost, €256 thousand (2018: €328 thousand) pertained to commitments at subsidiaries outside of Germany.

Members of the Board of Management participate in stock-based compensation programs (Aspire). These are four-year programs under which entitlements are earned in stages. The fair value of these programs at the time they are granted forms part of the overall compensation package and is shown in the above overview as “long-term stock-based cash compensation (Aspire).” The entitlements earned in 2019 under the stock-based compensation programs granted in 2019 and under those from previous years are shown separately in the table below. In addition, the changes in the value of entitlements from stock-based compensation programs earned prior to 2019 are shown separately.

Until 2015, members of the Board of Management also received 50% of their short-term variable compensation in the form of virtual Bayer shares. Payments are made after a three-year retention period and depend on the market price of Bayer shares at that time. Participants also receive an amount equal to the total dividends paid on the equivalent number of real shares during this period. Changes in the value of the virtual shares up to the payment date (including dividend claims accrued during the three-year period) are also shown in the next table.

The expense for the respective year contained the following components relating to long-term variable cash compensation based on virtual Bayer shares and long-term stock-based cash compensation (Aspire) that differ from the amounts included in aggregate compensation:

Multi-Year Variable Compensation of the Board of Management

€ thousand	2018	2019
Long-term variable cash compensation based on virtual Bayer shares		
– Change in the value of virtual shares granted in previous years	(978)	–
	(978)	**–**
Long-term stock-based cash compensation (Aspire)		
– Entitlements earned in the fiscal year	6,660	7,889
– Change in the value of entitlements earned in previous years	(3,768)	(157)
	2,892	**7,732**
Expense	**1,914**	**7,732**

Within the long-term stock-based cash compensation (Aspire), €359 thousand (2018: €425 thousand) of the entitlements earned in 2019 and €2 thousand (2018: minus €344 thousand) of the changes in the value of entitlements earned in previous years pertained to entitlements against our subsidiary Bayer Consumer Care AG, Switzerland.

At Bayer AG, expenses for pension entitlements granted to the members of the Board of Management serving in 2019 amounted to €2,496 thousand (2018: €2,417 thousand). These comprised the service cost for pension commitments and company contributions to Bayer-Pensionskasse and Rheinische Pensionskasse. The interest portion of entitlements earned in prior years and actuarial gains and losses also had an impact. Including these components, the financial expense was €5,694 thousand (2018: €3,908 thousand). Provisions for pension obligations on the closing date were €28,827 thousand (2018: €22,237 thousand).

Pension payments to former members of the Board of Management and their surviving dependents in 2019 amounted to €11,911 thousand (2018: €12,627 thousand). Provisions for pensions and similar commitments to former members of the Board of Management and their surviving dependents amounting to €160,082 thousand (2018: €158,931 thousand) were reflected in the statement of financial position of Bayer AG.

The total compensation of the Supervisory Board in 2019 was €3,939 thousand (2018: €3,897 thousand). This included attendance fees of €132 thousand (2018: €134 thousand).

There were no loans to members of the Board of Management or the Supervisory Board as of December 31, 2019, nor were any loans repaid during the year.

Details of the compensation of the Board of Management and Supervisory Board are set out in the compensation report, which forms part of the Combined Management Report of the Bayer Group and Bayer AG.

41. Proposal for the use of the distributable profit

The Board of Management and Supervisory Board propose that the distributable profit of €2,751 million reported in the financial statements of Bayer AG be used to pay a dividend of €2.80 per share carrying dividend rights (982,424,082 shares) on the capital stock of €2,515 million entitled to the dividend for 2019.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair representation of the assets, liabilities, financial position and profit or loss of the company, and the Combined Management Report includes a fair review of the development and performance of the business and the position of the Bayer Group and Bayer AG, together with a description of the principal opportunities and risks associated with the expected development of Bayer Group and Bayer AG.

Leverkusen, February 18, 2020

Bayer Aktiengesellschaft

The Board of Management

Werner Baumann

Liam Condon

Wolfgang Nickl

Stefan Oelrich

Heiko Schipper

Independent Auditor's Report

To Bayer Aktiengesellschaft, Leverkusen

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

Audit opinions

We audited the financial statements of Bayer Aktiengesellschaft, Leverkusen, – consisting of the balance sheet as of December 31, 2019 and the income statement for the fiscal year from January 1 to December 31, 2019 and also the Notes to the financial statements, together with a presentation of the accounting and valuation methods. Furthermore, we audited the combined management report of Bayer Aktiengesellschaft, Leverkusen, for the fiscal year from January 1 to December 31, 2019. In accordance with German statutory provisions, we did not audit the contents of the components of the combined management report named in the Appendix to our auditors' report.

In our opinion, based on the findings of our audit,

- the accompanying financial statements comply in all material respects with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the Company as at December 31, 2019 and of its results of operations for the financial year from January 1 to December 31, 2019 in accordance with German principles of proper accounting; and
- the accompanying combined management report provides a suitable overall view of the Company's situation. In all material respects, this combined management report is consistent with the financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the content of the components of the combined management report mentioned in the Appendix to the auditors' report.

In accordance with Section 322 (3.1) HGB, we state that our audit has not led to any objections to the correctness of the financial statements and the combined management report.

Basis for the audit opinions

We conducted our audit of the financial statements and the combined management report in accordance with Section 317 HGB and the EU Auditors' Regulation (No. 537/2014; hereafter referred to as "EU Audit Regulation") in compliance with the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). We conducted our audit of the financial statements with additional regard for the International Standards on Auditing (ISA). Our responsibility pursuant to these regulations, principles, and standards is described in more detail in the Section "Auditor's responsibility for the audit of the financial statements and the combined management report" of our Audit Report. We are independent of the Company in accordance with European and German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. Furthermore we state, in accordance with Article 10 (2f) EU Audit Regulation, that we have rendered no inadmissible non-audit services within the meaning of Article 5 (1) EU Audit Regulation. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions on the financial statements and combined management report.

Key Audit Matters in the audit of the financial statements

Key Audit Matters are those matters that we considered – at our due discretion – to be the most significant to our audit of the financial statements for the fiscal year from January 1 to December 31, 2019. These issues have been taken into account in connection with our audit of the financial statements as a whole and in forming our opinion thereon; we do not express a separate opinion on these issues.

We present below what we consider to be the Key Audit Matters:

1. Depiction of restructuring matters
2. Derivative Financial Instruments – Accounting for Hedging Transactions
3. Intrinsic value of shares in affiliated companies

We structured our presentation of these Key Audit Matters as follows:

a) Description of matter (including reference to associated disclosures in the financial statements),
b) Audit approach

1. Depiction of restructuring matters

a) The Management of Bayer Aktiengesellschaft announced a comprehensive restructuring program for the entire Group at the end of 2018. The program essentially involves the cutback of up to 12,000 jobs in the next three fiscal years. A not inconsiderable part of the job cuts is attributable to Germany, where redundancies for operational reasons are excluded until 2025 owing to works agreements. Following initial discussions with the employee committees and, in individual cases, with the employees of the divisions concerned as early as 2018, all employees of the divisions concerned were finally informed in the year under review and in some cases appropriate termination agreements have already been signed with them. A provision in the amount of EUR 582m was recognized at Bayer Aktiengesellschaft for the severance payment obligations specified by the end of the reporting year. In our opinion, this matter was of particular importance for our audit, as the recognition and measurement of the provision are to a large extent based on estimates and assumptions made by Management.

   The information provided by management on the restructuring provision is contained in Section 25 of the Notes to the consolidated financial statements

b) We examined whether a provision for contingent liabilities has been recognized for the matter in accordance with section 249 (1) sentence 1 of the German Commercial Code (HGB), and whether the amount of the provision is justified. For this purpose, we examined whether an external obligation exists which was legally or economically caused in the fiscal year and which is expected to be claimed. Within the framework of our audit, we assessed whether these recognition criteria were met and whether the restructuring provisions were measured appropriately. For this purpose, we received and verified the corresponding evidence and calculation documents from Management. We critically assessed and verified the plausibility of Management's estimates and assumptions on which the evidence and calculation principles are based as to the extent to which the recognition and amount of the provisions are appropriate. In particular, we evaluated documents (resolutions, minutes, presentations) destined to inform the employee representatives in Germany as to whether they had sufficiently informed the employees, during the 2018 fiscal year or by the time the financial statements were prepared, about the restructuring programs and individual components of the planned restructuring measures. For the termination agreements already concluded with employees, we examined whether the provisions formed for this purpose result from the underlying contractual agreements. Where individual termination agreements have not yet been concluded, in order to check the plausibility of the amount of the provisions, we have, among other things, analyzed the restructuring programs developed in the personnel departments for job cuts with regard to the assumptions made regarding the scope and amount of the severance offers to employees and the expected acceptance rates – also on the basis of experience to date – and discussed them with the persons responsible in the personnel departments.

2. Derivative financial instruments – Accounting for Hedging Transactions

a) Bayer Aktiengesellschaft concludes a large variety of derivative financial instruments with external contract partners and Group companies to hedge against currency, interest rate, exchange rate, and price risks arising from normal business operations. The basis for this is the hedging policy prescribed by Management, which is documented in appropriate internal guidelines. The objective of using derivative financial instruments is to reduce fluctuations in net income and cash flows due to changes in foreign exchange rates, interest rates, share prices, and market prices.

The nominal volume of derivatives concluded with external counterparties amounted to EUR 19.9bn as at December 31, 2019. Offsetting derivatives with a nominal value of EUR 5.6bn have been concluded with Group companies. The fair values of derivative financial instruments are determined using standard market valuation methods, taking into account the market data (market values) available on the valuation date. These amount to EUR –107m net at December 31, 2019 and are recorded in the balance sheet in the amount of EUR 57m net as a provision for impending losses.

In our view, these issues were of particular importance due to the high complexity and the great number of transactions, and also the extensive accounting and reporting requirements.

The information provided by Management on the accounting treatment of derivative financial instruments is contained in Section 34 of the Notes. Risk reporting with regard to the use of financial instruments is provided in the combined management report in Section 3.2.

b) In the course of our audit, with the support of our internal specialists from the Financial Risk department, we assessed, among other things, the contractual and financial basis and the accounting treatment of the various hedging transactions. Jointly with our specialists, we also assessed the Company's internal control system in the area of derivative financial instruments, including the internal monitoring of compliance with the hedging policy, and reviewed the controls with regard to design, implementation, and effectiveness. Furthermore, for the audit of the fair value measurement of financial instruments, we verified the proper implementation of the methods by the system and reconstructed the calculation methods on the basis of market data for representative samples. We also based our assessment of the completeness of the transactions recognized on a portfolio comparison with the counterparties. With regard to the expected cash flows and the assessment of the effectiveness of hedging transactions, we essentially assessed the past hedging ratios in retrospect.

3. Intrinsic value of shares in affiliated companies

a) As of December 31, 2019, the financial statements of Bayer Aktiengesellschaft show shares in affiliated companies amounting to EUR 49.1bn (58.0% of total assets). Bayer Aktiengesellschaft tested the intrinsic worth of the investment book values as of the closing date by carrying out internal company valuations. For all major investments, Bayer Aktiengesellschaft determines a total enterprise value, which is adjusted by the net financial position. The equity value determined in this way is compared with the relevant book value of the investment. The total enterprise values are determined as the present value of the future cash flows expected by the legal representatives, using discounted cash flow models. The result of these valuations depends in particular on Management's assessment of future cash inflows, the discount rates and growth rates used in each case, and the calculation of the net financial position. The valuations are therefore fraught with uncertainties. Even minor changes in the discount rate used can have material effects. Against this background and in view of the material significance for the net assets and results of operations of Bayer Aktiengesellschaft, this matter was of particular importance in the context of our audit.

   The company's disclosures on financial assets and their recoverability are contained in Chapters 4 and 15 of the Notes.

b) Within the framework of our audit, we assessed whether the valuation model used to determine the overall enterprise value accurately reflects the conceptual requirements of the relevant valuation standards and whether the calculations in the model are performed correctly. In the case of the valuations carried out by Bayer Aktiengesellschaft, we were convinced that the fair values were properly determined using the Discounted Cash Flow method, observing the relevant valuation standards. For this purpose, we examined whether the underlying future cash inflows and the capital costs recognized represent an appropriate basis overall. Our assessment was based, among other things, on a comparison with general and industry-specific market expecta¬tions and extensive explanations by the legal representatives of the key value drivers and planning premises. We also checked the parameters used to determine the discount rate by comparing them with market data and reproduced the calculation scheme logically and arithmetically.

Other information

The legal representatives are responsible for the other information. This other information includes:

// the components of the combined management report named in the Appendix to the Auditors' Report that were not audited as to their contents,
// the declaration of the Board of Management on the financial statements and the combined management report in accordance with Section 264 (2) sentence 3 HGB and Section 289 (1) sentence 5 HGB.

Our audit opinions on the financial statements and on the combined management report do not extend to this other information and, accordingly, we express neither an opinion nor any other form of audit conclusion on them.

In connection with our audit, it is our responsibility to read this other information and to assess whether this other information

// displays significant discrepancies with the financial statements, the combined management report, or with our knowledge gained during the audit, or
// otherwise appears to be substantially incorrectly presented.

Should we, on the basis of our work, conclude that there is a material misrepresentation in this other information, we are required to report on this fact. We have nothing to report in this connection.

Responsibility of Management and the Supervisory Board for the financial statements and the combined management report

Management is responsible for the preparation of financial statements which in all material respects comply with the requirements of German commercial law applicable to corporations, and for the presentation of a true and fair view of the net assets, financial position, and results of operations of the Company in accordance with German principles of proper accounting. Furthermore, Management is responsible for the internal controls that they have determined, in accordance with generally accepted German accounting principles, to be necessary to enable the preparation of financial statements that are free from material – intentional or unintentional – misstatements.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue its business activities. Moreover, it is responsible for disclosing matters relating to the continuation of business activities, if relevant. Furthermore, it is responsible for accounting for continuing operations on the basis of the same accounting policy, unless this is contrary to fact or law.

Management is also responsible for preparing the combined management report, which as a whole provides a suitable view of the Company's position and is consistent with the financial statements in all material respects, complies with German legal requirements, and suitably presents the opportunities and risks of future development. Management is further responsible for the arrangements and measures (systems) that it deems necessary to enable the preparation of a combined management report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the assertions in the combined management report.

The Supervisory Board is responsible for monitoring the Company's accounting process for preparing the financial statements and the combined management report.

Auditor's responsibility for the audit of the financial statements and the combined management report

Our objective is to obtain sufficient assurance as to whether the financial statements as a whole are free from material – intentional or unintentional – misstatements, and whether the combined management report as a whole provides a suitable view of the Company's situation and is in all material respects consistent with the financial statements and with the findings of the audit, complies with German legal requirements, and suitably presents the opportunities and risks of future development, and to issue an auditor's report containing our audit opinions on the financial statements and the combined management report.

Reasonable assurance is a high degree of certainty, but there is no guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation, observing generally accepted auditing principles for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW), and in supplementary observance of the ISAs will always reveal a material misrepresentation. Misstatements may result from violations or inaccuracies and are considered material if it is reasonable to expect that they will affect, individually or collectively, the economic decisions of addressees made on the basis of these financial statements and the combined management report.

During the audit, we exercise due discretion and maintain a critical attitude. In addition to this

- we identify and assess the risks of material misstatements – whether intentional or unintentional – in the financial statements and the combined management report, plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and adequate to serve as a basis for our audit opinions. The risk that material misrepresentations are not detected is higher for violations than for inaccuracies, as violations may involve fraudulent collaboration, forgeries, intentional incompleteness, misleading representations, or the overriding of internal controls.
- we gain an understanding of the internal control system relevant to the audit of the financial statements and the arrangements and measures relevant to the audit of the combined management report to plan audit procedures that are appropriate in the circumstances, but not with the objective of expressing an audit opinion on the effectiveness of these of the Company's systems.
- we assess the appropriateness of the financial reporting methods applied by Management and the tenability of the estimates and related disclosures it has made.
- we draw conclusions on the appropriateness of the application of the going-concern accounting principle applied by Management and, on the basis of the audit evidence obtained, whether there is essential uncertainty in connection with events or circumstances that might give rise to significant doubts about the Group's ability to continue operations. If we come to the conclusion that there is essential uncertainty, we are obliged to draw attention to the related disclosures in the financial statements and the combined management report or, if these disclosures are inappropriate, to modify our relevant audit opinion. We draw our conclusions based on the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may result in the Company no longer being able to continue its business activities.
- we assess the overall presentation, the structure, and content of the financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in such a way that the financial statements give a true and fair view of the net assets, financial position, and results of operations of the Company in accordance with generally accepted German accounting principles.
- we assess the conformity of the combined management report with the financial statements, its legal compliance, and the view it provides of the Company's situation.
- we perform audit procedures on the forward-looking statements presented by the legal representatives in the combined management report. On the basis of adequate and suitable audit evidence, we trace in particular the significant assumptions on which Management's forward-looking statements are based and assess the proper derivation of the forward-looking statements from these assumptions. We do not express a separate audit opinion on the forward-looking statements or on the underlying assumptions. There is a significant, unavoidable risk that future events will differ materially from the forward-looking statements.

We discuss, with those responsible for monitoring, among other things the planned scope and timing of the audit and also significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We address a declaration that we have complied with the relevant independence requirements to those responsible for monitoring and discuss with them all relationships and other issues reasonably likely to affect our independence, and the safeguards we have put in place.

On the basis of the issues which we discussed with those responsible for monitoring, we determine the issues that were most significant for the audit of the financial statements in the current reporting period and are therefore Key Audit Matters. We describe these matters in the auditor's report, unless laws or other legal provisions preclude the disclosure of such issues.

OTHER STATUTORY AND LEGAL REQUIREMENTS

Report on the audit of compliance with accounting obligations pursuant to Section 6b EnWG

We audited compliance with the accounting obligations in accordance with Section 6b (3) EnWG, according to which separate accounts must be kept for activities in accordance with Section 6b (3) EnWG, for the fiscal year from January 1 to December 31, 2019.

In our opinion, the accounting obligations in accordance with section 6b (3) EnWG, according to which separate accounts must be kept for activities under Section 6b (3) EnWG, were fulfilled in all material respects for the financial year from January 1 to December 31, 2019.

We conducted our audit pursuant to Section 6b (5) EnWG in observance of the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility in accordance with these rules and principles is further described below and in the section "Auditor's responsibility for the audit of the financial statements and the combined management report". We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinion.

Management is responsible for compliance with the obligations under Section 6b (3) EnWG to maintain separate accounts and for the precautions and measures (systems) it has deemed necessary to comply with these obligations.

Our objective is to obtain reasonable assurance about whether the financial reporting requirements set out in Section 6b (3) EnWG have been complied with in all material respects and to issue a report that includes our opinion on whether the financial reporting requirements set out in Section 6b (3) EnWG have been complied with. The audit includes an assessment of whether the valuations and the assignment of the accounts in accordance with Section 6b (3) EnWG have been carried out properly and comprehensibly and whether the principle of consistency has been observed.

Other disclosures pursuant to Article 10 EU Audit Regulation

We were elected as auditors by the Annual General Meeting on April 26, 2019. We were engaged by the Supervisory Board on May 15, 2019. We have been auditors of Bayer Aktiengesellschaft, Leverkusen, without interruption since the 2017 fiscal year.

We declare that the audit opinions contained in this Auditor's Report are consistent with the additional report to the Audit Committee pursuant to Article 11 EU Audit Regulation (Audit Report).

RESPONSIBLE AUDITOR

The public auditor responsible for the audit is Prof. Dr. Frank Beine.

Munich, February 19, 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Beine	Mehren
German Public Auditor	German Public Auditor

Appendix to the Auditors’ Report: components of the combined management report that were not audited as to their contents

We did not audit the following components of the combined management report as to their contents:

// The corporate governance statement pursuant to Section 289f and Section 315d HGB contained in Chapter 4.1 of the combined management report.

Furthermore, we did not audit the content of the following disclosures that are not normally part of the management report. Disclosures that are not normally part of the management report in the combined management report are disclosures that are neither required by Sections 289 to 289f, 315 to 315d of the German Commercial Code (HGB) nor by DRS 20.

// The information contained in section 2.2.2 of the combined management report on pro forma revenues from strategic business units in the Crop Science Division.

Governance Bodies

Supervisory Board

Members of the Supervisory Board held offices as members of the supervisory board or a comparable supervising body of the corporations listed (as at December 31, 2019, or the date on which they ceased to be members of the Supervisory Board of Bayer AG) and as shown attended the meetings of the Supervisory Board and committees to which he or she belonged:

Werner Wenning
Leverkusen, Germany
(born October 21, 1946)

Chairman of the Supervisory Board effective October 2012

Chairman of the Supervisory Board of Bayer AG

Memberships on other supervisory boards:

- Henkel Management AG
- Siemens AG (Vice Chairman)

Memberships in comparable supervising bodies of German or foreign corporations:

- Henkel AG & Co. KGaA (Shareholders' Committee)

Attendance at Supervisory Board and committee meetings: 25 of 25

Oliver Zühlke
Solingen, Germany
(born December 11, 1968)

Vice Chairman of the Supervisory Board effective July 2015

Member of the Supervisory Board effective April 2007

Chairman of the Bayer Central Works Council

Attendance at Supervisory Board and committee meetings: 13 of 21

Dr. Paul Achleitner
Munich, Germany
(born September 28, 1956)

Member of the Supervisory Board effective April 2002

Chairman of the Supervisory Board of Deutsche Bank AG

Memberships on other supervisory boards:

- Daimler AG
- Deutsche Bank AG (Chairman)

Memberships in comparable supervising bodies of German or foreign corporations:

- Henkel AG & Co. KGaA (Shareholders' Committee)

Attendance at Supervisory Board and committee meetings: 18 of 19

Dr. rer. nat. Simone Bagel-Trah
Düsseldorf, Germany
(born January 10, 1969)

Member of the Supervisory Board effective April 2014

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

Memberships on other supervisory boards:

- Henkel AG & Co. KGaA (Chairwoman)
- Henkel Management AG (Chairwoman)
- Heraeus Holding GmbH

Memberships in comparable supervising bodies of German or foreign corporations:

- Henkel AG & Co. KGaA (Shareholders' Committee, Chairwoman)

Attendance at Supervisory Board meetings: 11 of 11

Dr. Norbert W. Bischofberger
Hillsborough, U.S.A.
(born January 10, 1956)

Member of the Supervisory Board effective April 2017

President and Chief Executive Officer of Kronos Bio, Inc.
Memberships in comparable supervising bodies of German or foreign corporations:

- InCarda Therapeutics, Inc. (Board of Directors)
- Kronos Bio, Inc. (Board of Directors)
- Morphic Therapeutic, Inc. (Board of Directors) (effective June 2019)

Attendance at Supervisory Board and committee meetings: 11 of 13

André van Broich
Dormagen, Germany
(born June 19, 1970)

Member of the Supervisory Board effective April 2012

Chairman of the Bayer Group Works Council

Chairman of the Works Council of the Dormagen site

Attendance at Supervisory Board and committee meetings: 19 of 19

Ertharin Cousin
Chicago, U.S.A.
(born May 12, 1957)

Member of the Supervisory Board effective October 2019

Independent consultant

Attendance at Supervisory Board and committee meetings: 2 of 2

Thomas Ebeling
Muri bei Bern, Switzerland
(born February 9, 1959)

Member of the Supervisory Board until September 2019

Independent consultant

Memberships on other supervisory boards:

- Apleona GmbH (Chairman)
- GfK SE
- ClearVat AG

Memberships in comparable supervising bodies of German or foreign corporations:

- Cullinan Oncology, LLC (Board of Directors)
- Heilpflanzenwohl AG (Board of Directors)
- Ocean Outdoor Ltd. (Board of Directors)

Attendance at Supervisory Board meetings: 8 of 9

Dr. Thomas Elsner
Düsseldorf, Germany
(born April 24, 1958)

Member of the Supervisory Board effective April 2017

Chairman of the Bayer Group Managerial Employees' Committee

Chairman of the Managerial Employees' Committee of Bayer AG Leverkusen

Attendance at Supervisory Board and committee meetings: 18 of 18

Johanna W. (Hanneke) Faber
Amstelveen, Netherlands
(born April 19, 1969)

Member of the Supervisory Board effective April 2016

President Europe at Unilever N.V./plc (until April 2019)

President Global Foods & Refreshments at Unilever N.V./plc (effective May 2019)

Attendance at Supervisory Board meetings: 9 of 11

Colleen A. Goggins
Princeton, U.S.A.
(born September 9, 1954)

Member of the Supervisory Board effective April 2017

Independent consultant

Memberships in comparable supervising bodies of German or foreign corporations:

- The Toronto-Dominion Bank (Board of Directors)
- IQVIA Holdings Inc. (Board of Directors)
- SIG Combibloc Services AG (Board of Directors)

Attendance at Supervisory Board and committee meetings: 13 of 14

Robert Gundlach
Velten, Germany
(born November 23, 1957)

Member of the Supervisory Board effective December 2019

Chairman of the Works Council of the Berlin site

Attendance at Supervisory Board and committee meetings: 0 of 0

Heike Hausfeld
Leverkusen, Germany
(born September 19, 1965)

Member of the Supervisory Board effective April 2017

Chairwoman of the Works Council of the Leverkusen site

Memberships on other supervisory boards:

- Bayer Business Services GmbH (Vice Chairwoman)

Attendance at Supervisory Board and committee meetings: 14 of 14

Reiner Hoffmann
Wuppertal, Germany
(born May 30, 1955)

Member of the Supervisory Board effective October 2006

Chairman of the German Trade Union Confederation

Attendance at Supervisory Board meetings: 8 of 11

Frank Löllgen
Cologne, Germany
(born June 14, 1961)

Member of the Supervisory Board effective November 2015

North Rhine District Secretary of the German Mining, Chemical and Energy Industrial Union

Memberships on other supervisory boards:

- Evonik Industries AG
- IRR-Innovationsregion Rheinisches Revier GmbH

Attendance at Supervisory Board and committee meetings: 15 of 15

Prof. Dr. Wolfgang Plischke
Aschau im Chiemgau, Germany
(born September 15, 1951)

Member of the Supervisory Board effective April 2016

Independent consultant

Memberships on other supervisory boards:

- Evotec AG (Chairman)

Attendance at Supervisory Board and committee meetings: 17 of 17

Petra Reinbold-Knape
Gladbeck, Germany
(born April 16, 1959)

Member of the Supervisory Board effective April 2012

Member of the Executive Committee of the German Mining, Chemical and Energy Industrial Union

Memberships on other supervisory boards:

- Lausitz Energie Bergbau AG (Vice Chairwoman)
- Lausitz Energie Kraftwerk AG (Vice Chairwoman)

Memberships in comparable supervising bodies of German or foreign corporations:

- DGB Rechtsschutz GmbH (until July 2019)

Attendance at Supervisory Board and committee meetings: 16 of 17

Detlef Rennings
Krefeld, Germany
(born April 29, 1965)

Member of the Supervisory Board until November 2019

Chairman of the Central Works Council of CURRENTA

Chairman of the Works Council of CURRENTA of the Uerdingen site

Memberships on other supervisory boards:

- Currenta Geschäftsführungs-GmbH

Attendance at Supervisory Board meetings: 9 of 10

Sabine Schaab
Mettmann, Germany
(born June 25, 1966)

Member of the Supervisory Board effective October 2017

Vice Chairwoman of the Works Council of the Elberfeld site

Attendance at Supervisory Board and committee meetings: 13 of 13

Michael Schmidt-Kießling
Schwelm, Germany
(born March 24, 1959)

Member of the Supervisory Board effective April 2012

Chairman of the Works Council of the Elberfeld site

Attendance at Supervisory Board meetings: 10 of 11

Prof. Dr. med. Dr. h.c. mult. Otmar D. Wiestler
Berlin, Germany
(born November 6, 1956)

Member of the Supervisory Board effective October 2014

President of the Herman von Helmholtz Association of German Research Centres e.V.

Attendance at Supervisory Board and committee meetings: 11 of 13

Prof. Dr. Norbert Winkeljohann*
Osnabrück, Germany
(born November 5, 1957)

Member of the Supervisory Board effective May 2018

Independent management consultant

Memberships on other supervisory boards:

- Deutsche Bank AG
- Georgsmarienhütte Holding GmbH
- heristo aktiengesellschaft (Chairman)
- Sievert AG (Chairman)

Attendance at Supervisory Board and committee meetings: 18 of 18

* Expert member pursuant to Section 100, Paragraph 5 of the German Stock Corporation Act (AktG)

Standing committees of the Supervisory Board of Bayer AG (as at December 31, 2019)

Presidial Committee/ Mediation Committee
Wenning (Chairman), Achleitner, Reinbold-Knape, Zühlke

Audit Committee
Winkeljohann* (Chairman), Elsner, Löllgen, Plischke, Wenning, Zühlke

Human Resources Committee
Wenning (Chairman), Achleitner, van Broich, Hausfeld

Nominations Committee
Wenning (Chairman), Achleitner

Innovation Committee
Plischke (Chairman), Bischofberger, van Broich, Reinbold-Knape, Schaab, Wenning, Wiestler, Zühlke

Glyphosate Litigation Committee
Wenning (Chairman), Achleitner, van Broich, Elsner, Goggins, Reinbold-Knape, Winkeljohann, Zühlke

Board of Management

Members of the Board of Management held offices as members of the supervisory board or a comparable supervising body of the corporations listed (as at December 31, 2019, or the date on which they ceased to be members of the Board of Management of Bayer AG):

Werner Baumann
(born October 6, 1962)

Chairman

Member of the Board of Management effective January 1, 2010, appointed until April 30, 2021

Liam Condon
(born February 27, 1968)

Member of the Board of Management effective January 1, 2016, appointed until December 31, 2023

Wolfgang Nickl
(born May 9, 1969)

Member of the Board of Management effective April 26, 2018, appointed until April 25, 2021

- Bayer Business Services GmbH (Chairman)

Stefan Oelrich
(born June 1, 1968)

Member of the Board of Management effective November 1, 2018, appointed until October 31, 2021

- InforMed Data Systems Inc. (Board of Directors) (effective October 2019)

Heiko Schipper
(born August 21, 1969)

Member of the Board of Management effective March 1, 2018, appointed until February 28, 2021

- Royal FrieslandCampina N.V. (effective December 2019)

Members of the Board of Management until December 31, 2019

Dr. Hartmut Klusik
(born July 30, 1956)

Labor Director

- Currenta Geschäftsführungs-GmbH (Chairman) (until November 2019)

Kemal Malik
(born September 29, 1962)

Financial Calendar

Q1 2020 Interim Report[1]	*April 27, 2020*
Annual Stockholders' Meeting 2020	*April 28, 2020*
Planned dividend payment day	*May 4, 2020*
Half-Year Report 2020	*August 4, 2020*
Q3 2020 Interim Report[1]	*November 3, 2020*
Annual Report 2020	*February 25, 2021*
Annual Stockholders' Meeting 2021	*April 27, 2021*
Q1 2021 Interim Report[1]	*May 12, 2021*

Masthead

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[1] In 2020, Bayer will publish quarterly statements pursuant to Section 53 of the Exchange Rules for the Frankfurter Wertpapierbörse (FWB) for the first and third quarters.