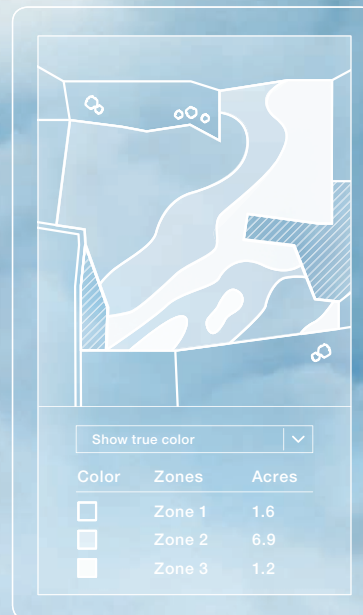




Science For A Better Life



**Bayer AG**  
**Financial Statements 2016**



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 2016. The financial statements and the combined management report of the Bayer Group and Bayer AG for fiscal 2016 have been submitted to the operator of the electronic Federal Gazette and are accessible via the Company Register website.

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# Income Statements

€ million	Note	2015	2016
Net sales	[1]	86	390
Cost of goods sold		(88)	(353)
<b>Gross profit</b>		<b>(2)</b>	<b>37</b>
Selling expenses		(3)	(39)
Research and development expenses		–	(46)
General administration expenses		(324)	(666)
Other operating income	[2]	13	48
Other operating expenses	[3]	(86)	(227)
<b>Operating income</b>		<b>(402)</b>	<b>(893)</b>
Income from investments in affiliated companies – net	[4]	2,444	4,647
Interest expense / income – net	[5]	(484)	54
Other financial income – net	[6]	409	163
<b>Nonoperating income</b>		<b>2,369</b>	<b>4,864</b>
Income taxes	[7]	(606)	(371)
<b>Income after taxes / net income</b>		<b>1,361</b>	<b>3,600</b>
Withdrawal from other retained earnings / allocation to other retained earnings		706	(1,367)
<b>Distributable profit</b>		<b>2,067</b>	<b>2,233</b>

# Statements of Financial Position

€ million	Note	Dec. 31, 2015	Dec. 31, 2016
<b>ASSETS</b>			
<b>Noncurrent assets</b>			
Intangible assets	[13]	21	29
Property, plant and equipment	[14]	10	29
Investments	[15]	43,737	49,112
		<b>43,768</b>	<b>49,170</b>
<b>Current assets</b>			
Inventories	[16]	–	3
Receivables and other assets			
Trade accounts receivable	[17]	25	77
Receivables from subsidiaries	[18]	3,159	4,055
Other assets	[19]	211	2,372
	[20]	<b>3,395</b>	<b>6,504</b>
Marketable securities	[21]	125	–
Cash and cash equivalents	[22]	504	803
		<b>4,024</b>	<b>7,310</b>
<b>Deferred charges</b>	[23]	<b>35</b>	<b>226</b>
<b>Surplus from offsetting</b>	[24]	<b>109</b>	<b>140</b>
		<b>47,936</b>	<b>56,846</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	[25]		
Capital stock		2,117	2,117
Capital reserves		6,176	6,176
Other retained earnings		4,672	6,039
Distributable profit		2,067	2,233
		<b>15,032</b>	<b>16,565</b>
<b>Provisions</b>			
Provisions for pensions	[26]	1,562	897
Other provisions	[27]	794	1,008
		<b>2,356</b>	<b>1,905</b>
<b>Other liabilities</b>			
Bonds and promissory notes	[28]	7,187	6,612
Liabilities to banks		16	61
Down payments received on orders		–	2
Trade accounts payable	[29]	76	86
Payables to subsidiaries	[30]	22,752	31,146
Miscellaneous liabilities	[31]	517	469
	[32]	<b>30,548</b>	<b>38,376</b>
		<b>47,936</b>	<b>56,846</b>

# Notes

## Change in Corporate Structure

Bayer HealthCare AG and Bayer Technology Services GmbH, both wholly owned subsidiaries of Bayer AG, were merged into Bayer AG effective January 1, 2016. These mergers were entered in the commercial register for Bayer AG on July 1, 2016.

The merger of Bayer HealthCare AG and Bayer Technology Services GmbH into Bayer AG took place at their carrying amounts in accordance with Section 24 of the German Companies' Reorganization Act (UmwG). In other words, the cost of acquisition of the assets and liabilities of these two companies was deemed to be the carrying amounts in their respective statements of financial position as of December 31, 2015. Receivables from Bayer AG of €469 million and liabilities to Bayer AG of €134 million were eliminated in the merger, as were the carrying amounts of the investments in both companies reported by Bayer AG, which amounted to €60 million.

The impact of the mergers on the statement of financial position of Bayer AG as of January 1, 2016, is summarized in the table:

€ million

<b>ASSETS</b>	
<b>Noncurrent assets</b>	
Intangible assets	11
Property, plant and equipment	15
Investments	(53)
	(27)
<b>Current assets</b>	
Inventories	10
Receivables and other assets	
Trade accounts receivable	58
Receivables from subsidiaries	(102)
Other assets	21
	(23)
	(13)
<b>Deferred charges</b>	4
<b>Surplus from offsetting</b>	6
	(30)
<b>EQUITY AND LIABILITIES</b>	
Provisions	
Provisions for pensions	262
Other provisions	94
	356
<b>Other liabilities</b>	
Down payments received on orders	12
Trade accounts payable	60
Payables to subsidiaries	(469)
Miscellaneous liabilities	11
	(386)
	(30)

## 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) and Stock Corporation Act (AktG).

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 mandatory item are reported under other financial income or expenses.

The income statement has been drawn up using the cost-of-sales method. The presentation has been altered compared with the previous fiscal year to align it to the new reporting requirements of the Accounting Directive Implementation Act (BilRUG) and because of the changes in the company's structure. To enhance comparability, the previous year's figures have been restated to reflect the new presentation.

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 on the internet as part of the Declaration on Corporate Governance pursuant to Section 289a of the German Commercial Code (HGB). It can be downloaded from <http://www.bayer.com/en/corporate-governance.aspx>.

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 over their estimated useful lives. Self-generated intangible assets are not capitalized.

Property, plant and equipment is carried at its cost of acquisition or construction less depreciation of assets that are subject to wear and tear. 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 is based on the following useful lives of property, plant and equipment:

### Useful Life of Property, Plant and Equipment

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 €410.

Write-downs are made for any declines in value that go beyond the depletion reflected in depreciation and are expected to be permanent.

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 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.

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*) granted 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 and supplies at the average cost of acquisition, and finished goods at the cost of production. They comprise 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.

Marketable securities are shown at the lower of cost or market rates as of the closing date.

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), Leverkusen, Germany. In order to fulfill post-employment benefit obligations, BPT also directly holds shares in Covestro AG. 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 income and deferred charges in the accounting statements and those in the tax statements. As well as items reflected in its own statement of financial position, Bayer AG also includes those relating to subsidiaries with which it forms a fiscal entity for tax purposes and partnerships 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 31.24%. 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 2016, there was a deferred tax asset, which accordingly was not recognized in the statement of financial position.

The capital stock of Bayer AG is divided into 826,947,808 no-par registered shares, each of which has a theoretical proportionate interest in the total capital stock of €2,116,986,388.48.

Provisions for pensions are computed using the projected unit credit method on the basis of biometric probability using the Heubeck 2005 G reference tables. Expected future salary and pension increases are taken into account. We assume annual salary increases of 2.75% (2015: 3.00%) and annual pension rises of 1.50% (2015: 1.75%). Notwithstanding this, for pension commitments granted since January 1, 2000, an annual pension rise of 1.00% is accounted for as this has been promised to the employees. The discount rate used for pension provisions in the 2016 financial statements was 4.01% (2015: 3.89%), which is the average market interest rate for the past ten years (2015: past seven years) for instruments with an assumed remaining maturity of 15 years, as published by the Deutsche Bundesbank for December 2016.

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 3.24% (2015: 3.89%) is used for an assumed period of 15 years until utilization. Shorter-term personnel-related provisions, such as those for obligations under early retirement and pre-retirement part-time working arrangements, are discounted using a rate that corresponds to their maturity, which was three years in 2016. The discount rate was 1.81% (2015: 2.34%). These are the rates published by the Deutsche Bundesbank for December 2016.

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.

Cash and cash equivalents and bank balances 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.

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

# Notes to the Income Statements

## 1. Sales

Sales increased by €304 million compared with 2015. In this context, it should be noted that Bayer HealthCare AG and Bayer Technology Services GmbH were merged into Bayer AG with effect from January 1, 2016. The principal sales were generated by the engineering operations of the former Bayer Technology Services GmbH, and mainly comprised the reimbursement by Group companies of expenses incurred for the provision of technology services.

### Sales by business unit

€ million	2015	2016
Engineering & Technology	–	264
Services Group advertising	53	53
Corporate Center Services	33	73
	<b>86</b>	<b>390</b>

### Sales by regions

€ million	2015	2016
Germany	74	348
Other Europe	7	14
North America	5	16
Asia / Pacific	–	9
Latin America / Africa / Middle East	–	3
	<b>86</b>	<b>390</b>

In 2016, as a result of the first-time application of the provisions of the Accounting Directive Implementation Act (BilRUG – Section 277, Paragraph 1 of the German Commercial Code (HGB)), the proceeds of services that are not typical for the ordinary business activity were no longer reported under other operating income but under sales. For the purposes of comparability, the prior-year figure was adjusted by €86 million.

## 2. Other operating income

Other operating income comprised:

### Other Operating Income

€ million	2015	2016
Gains from the disposal of fixed assets	–	36
Reversals of unutilized provisions	5	8
Miscellaneous income	8	4
	<b>13</b>	<b>48</b>

Gains from the disposal of fixed assets included €28 million relating to the intra-Group sale of information technology to Bayer Business Services GmbH and €8 million from the sale of a patent to Chemetics Inc, Canada.

The miscellaneous income included income of €1 million from subsidies for research projects. The prior-year amount included income of €7 million from reimbursements of value-added tax relating to previous years.

The proceeds of €86 million from services that are not typical for the ordinary business activity, which in 2015 were still reported as other operating income, were reclassified to sales for the purposes of comparability.

### 3. Other operating expenses

Other operating expenses comprised:

<b>Other Operating Expenses</b>		
€ million	2015	2016
Compensation payment to Bayer Intellectual Property GmbH because of completion of the use of trademark rights	58	–
Project costs related to the carve-out and stock market flotation of Covestro	25	12
Addition to provisions for impending losses	–	198
Miscellaneous expenses	3	17
	<b>86</b>	<b>227</b>

Expenses for the establishment of provisions for impending losses related to out-licensing and supply agreements, where the risk was transferred to Bayer AG as a result of the business lease agreements with Bayer Pharma AG and Bayer CropScience AG that took effect on January 1, 2017.

The miscellaneous expenses included unrealized exchange losses on the hedging of stock-based compensation programs, write-downs of receivables, and donations.

The expenses of €91 million for services that are not typical for the ordinary business activity, which in 2015 were still reported as other operating expenses, were reclassified to costs of production or selling expenses for the purposes of comparability.

### 4. Income from investments in affiliated companies – net

<b>Income from Investments in Affiliated Companies – Net</b>		
€ million	2015	2016
Dividends and similar income from subsidiaries	3	329
Income from profit and loss transfer agreements with subsidiaries	2,957	4,264
Expenses from profit and loss transfer agreements with subsidiaries	(584)	(76)
Write-downs of investments in affiliated companies	(3)	–
Write-backs of investments in affiliated companies	62	–
Gains from the sale of investments in affiliated companies	9	130
	<b>2,444</b>	<b>4,647</b>

## 5. Interest expense / income – net

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.

In 2015, a write-down of €3 million was made on the investment in Bayer (Malaysia) Sdn. Bhd., Malaysia. Write-backs of €36 million in 2015 related to AO Bayer, Russian Federation, and €26 million related to Bayer MaterialScience Private Ltd., India. The gains of €130 million from the sale of investments in affiliated companies comprised €50 million from the intra-Group sale of shares in Bayer Technology Services (Shanghai) Co. Ltd., China, €79 million from the transfer of 10 million shares in Covestro AG to Bayer Pension Trust e.V., Leverkusen, Germany, and €1 million from the merger of Bayer HealthCare AG, Leverkusen, Germany. The gain of €9 million reported in the previous year resulted from the repurchase of shares in Bayer CropScience Ltd., India.

## 5. Interest expense / income – net

<b>Interest expense / income – Net</b>		
€ million	2015	2016
Income from other securities and loans included in investments	22	21
Other interest and similar income	250	145
• of which from subsidiaries	91	81
Interest and similar expenses	(480)	(415)
• of which to subsidiaries	(120)	(134)
Interest expense / income portion of pension and other noncurrent personnel-related provisions (net)	(276)	303
	<b>(484)</b>	<b>54</b>

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

Income and expenses relating to the interest portion of pension and other noncurrent personnel-related provisions comprise the net amounts after offsetting income from the assets held by Bayer Pension Trust e.V., Leverkusen, Germany, and the impact of the change in the discount rate. The assets held by Bayer Pension Trust 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.

Income from investment of these assets was offset against the interest portion of the corresponding provisions as follows:

<b>Netting of the Interest Portion of Pension and Personnel-Related Provisions with Income from Plan Assets</b>		
€ million	2015	2016
Interest portion of pension and other noncurrent personnel-related provisions and from changes in the discount rate (gross)	(290)	(84)
Income from assets held by Bayer Pension Trust	14	387
	<b>(276)</b>	<b>303</b>



## 6. Other financial income – net

### Other Financial Income – Net

€ million	2015	2016
Changes in provisions for pensions and other noncurrent personnel-related provisions (excluding interest portion)	15	56
Allocation to pension provisions assigned to subsidiaries	178	4
Redemption of future expenses for former BMS retirees by Covestro	217	–
Expenses from currency translation		
– Realized exchange losses	(2,995)	(2,233)
– Unrealized expenses from valuation	(23)	(278)
Income from currency translation		
– Realized exchange gains	2,998	2,689
– Unrealized income from valuation	26	1
Miscellaneous financial expenses	(41)	(89)
Miscellaneous financial income	34	13
	<b>409</b>	<b>163</b>

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 reimbursed by the subsidiaries on a prorated basis under the respective carve-out agreements.

In 2015, in connection with the formation of the Covestro Group, Covestro Deutschland AG acquired the claims of Bayer AG to reimbursement of future expenses for allocations to pension provisions relating to former employees of the Bayer MaterialScience (BMS) organization for a consideration of €217 million.

The miscellaneous financial expenses included bank charges of €1 million (2015: €19 million) and commitment fees of €56 million (2015: €3 million) for credit facilities. Further, in 2016 a pre-payment penalty of €31 million was incurred for early repayment of an intra-Group loan. In 2015, this item included expenses of €13 million for two settlements reached in the court proceedings relating to Bayer Pharma AG (formerly Bayer Schering Pharma AG), Berlin, Germany, and €6 million in fees for the issuance of bonds. Miscellaneous financial income included €11 million (2015: €14 million) from fees for guarantees. In 2015, miscellaneous financial income also included €21 million from a reduction in the liabilities to former minority stockholders of Bayer Pharma AG as a result of the settlements reached.

## 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 €430 million excess of deferred tax assets over deferred tax liabilities at year end was not recognized.

Deferred tax assets mainly resulted from the higher valuation of pension obligations 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 pre-retirement part-time working and service anniversaries. 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., Leverkusen, 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 €2 million (2015: €0.4 million).

## 9. Cost of materials

### Cost of Materials

€ million	2015	2016
Expenses for raw materials, supplies and purchased goods	2	9
Expenses for purchased services	1	2
	<b>3</b>	<b>11</b>

## 10. Personnel expenses / employees

### Personnel Expenses

€ million	2015	2016
Wages and salaries	144	366
Social expenses	9	33
Pension expenses	11	11
	<b>164</b>	<b>410</b>

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 / income.

The average number of employees at Bayer AG was 2,392 in 2016, subdivided as follows:

### Employees

	2016	
	Female	Male
Senior executives and senior managers	191	650
Junior managers and nonmanagerial employees	597	954
	<b>788</b>	<b>1,604</b>

Part-time employees are included in these figures 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 program for members of the Board of Management, other senior executives and middle managers, which until 2015 comprised two variants (Aspire I and Aspire II) for different management levels, was redesigned effective 2016. All eligible employees are now offered a uniform program called Aspire 2.0. All Aspire programs lead to performance-related payments to employees. Each program 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 I

Until 2015, members of the Board of Management and other senior executives were able to participate in Aspire I. They were required to purchase a certain number of Bayer shares that was predetermined according to specific guidelines and to retain them for the full term of the program. A percentage of the executive's annual base salary – based on his or her position – was defined as a target for variable payments (Aspire target opportunity). At the end of each tranche of this program, participants receive a certain percentage of their target opportunity as a cash payment. The amount depends on the development of the Bayer share price in absolute terms and the performance of the stock relative to the Dow Jones EURO STOXX 50. This payment is capped at 300%.

The fair value of obligations under the stock-based compensation programs that are still active was calculated by the Monte Carlo simulation method using the following key parameters:

### Parameters Used to Determine Fair Value

	2015	2016
Dividend yield	1.96%	2.90%
Risk-free interest rate (duration 4 years)	(0.16%)	(0.67%)
Volatility of Bayer shares	25.61%	22.78%
Volatility of the Dow Jones EURO STOXX 50	19.08%	11.66%
Correlation between the Bayer share price and the Dow Jones EURO STOXX 50	0.83	0.67

The fair value of the Aspire tranche issued in 2013, which expired at the end of 2016, was determined from the payment amount of 270% of the target opportunity, which was already known on the closing date. The payment was made at the start of 2017. The Aspire tranche issued in 2012 expired at the start of 2016 and the maximum payout of 300% was made at the start of 2016.

## Aspire II

Until 2015, other senior managers were offered Aspire II, a variant of Aspire I that did not require a personal investment in Bayer shares. In this case, the payment amount is based entirely on the absolute performance of Bayer stock. The maximum payout is 250% of each manager's Aspire target opportunity.

The fair value of the Aspire tranche issued in 2013, which expired at the end of 2016, was determined from the payment amount of 220% of the target opportunity, which was already known on the closing date. The tranche issued in 2012 achieved the maximum payout of 250%, which was made at the start of 2016.



## Aspire 2.0

Since 2016, Aspire has been offered to all eligible employees in a new, standardized format named Aspire 2.0. The members of the Board of Management face the additional hurdle of comparison with EURO STOXX performance. 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 Bayer share price at that time and adding an amount equivalent to the dividends paid during the period of the tranche. The maximum payout for Aspire 2.0 is 250% of the target amount.

## 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 2016 and 2015, it was 20% of the subscription amount. As in 2015, 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 2016 totaled €14 million (2015: €13 million). This amount is reflected in personnel expenses. Provisions for these programs amounted to €41 million as of December 31, 2016 (2015: €30 million).

## 12. Valuation write-downs

In addition to amortization, write-downs of €1 million were made in 2016 to reflect declines in the value of intangible assets that were expected to be permanent. In 2015, write-downs of €3 million were made on investments in subsidiaries.

# 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, 2015	62	–	62
Additions	11	9	20
Retirements	9	–	9
Transfers	2	(2)	–
<b>Gross carrying amounts, Dec. 31, 2016</b>	<b>66</b>	<b>7</b>	<b>73</b>
Accumulated amortization and write-downs, Dec. 31, 2015	41	–	41
Amortization and write-downs 2016	7	–	7
Retirements	4	–	4
<b>Accumulated amortization and write-downs, Dec. 31, 2016</b>	<b>44</b>	<b>–</b>	<b>44</b>
<b>Net carrying amounts, Dec. 31, 2016</b>	<b>22</b>	<b>7</b>	<b>29</b>
Net carrying amounts, Dec. 31, 2015	21	–	21

## 14. Property, plant and equipment

### Property, Plant and Equipment

€ million	Land and buildings	Plant and equipment	Furniture, fixtures and other equipment	Advance payments and assets under con- struction	Total
Gross carrying amounts, Dec. 31, 2015	60	–	17	–	77
Additions	–	13	8	6	27
Retirements	–	–	5	–	5
Transfers	–	1	–	(1)	–
<b>Gross carrying amounts, Dec. 31, 2016</b>	<b>60</b>	<b>14</b>	<b>20</b>	<b>5</b>	<b>99</b>
Accumulated depreciation and write-downs, Dec. 31, 2015	59	–	8	–	67
Depreciation and write-downs 2016	–	3	3	–	6
Retirements	–	–	3	–	3
<b>Accumulated depreciation and write-downs, Dec. 31, 2016</b>	<b>59</b>	<b>3</b>	<b>8</b>	<b>–</b>	<b>70</b>
<b>Net carrying amounts, Dec. 31, 2016</b>	<b>1</b>	<b>11</b>	<b>12</b>	<b>5</b>	<b>29</b>
Net carrying amounts, Dec. 31, 2015	1	–	9	–	10

## 15. Investments

### Investments

€ million	Invest- ments in subsidi- aries	Loans to subsidi- aries	Invest- ments in other affiliated compa- nies	Loans to other affiliated compa- nies	Securities included in invest- ments	Other loans	Total
Gross carrying amounts, Dec. 31, 2015	42,970	111	70	–	–	748	43,899
Additions	6,325	–	–	2	51	6	6,384
Retirements	1,005	3	42	–	–	1	1,051
<b>Gross carrying amounts, Dec. 31, 2016</b>	<b>48,290</b>	<b>108</b>	<b>28</b>	<b>2</b>	<b>51</b>	<b>753</b>	<b>49,232</b>
Accumulated write-downs, Dec. 31, 2015	82	11	68	–	–	1	162
Write-backs	–	1	–	–	–	–	1
Retirements	–	–	41	–	–	–	41
<b>Accumulated write-downs, Dec. 31, 2016</b>	<b>82</b>	<b>10</b>	<b>27</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>120</b>
<b>Net carrying amounts, Dec. 31, 2016</b>	<b>48,208</b>	<b>98</b>	<b>1</b>	<b>2</b>	<b>51</b>	<b>752</b>	<b>49,112</b>
Net carrying amounts, Dec. 31, 2015	42,888	100	2	–	–	747	43,737

The additions to investments in subsidiaries totaling €6,325 million principally comprised €5,786 million in capital contributions or commitments to Bayer US B.V., Netherlands. The other additions totaling €539 million comprised €22 million from the intra-Group purchase of shares in Bayer NV, Belgium, and €509 million from the subsequent merger of Bayer Antwerpen NV, Belgium, into Bayer NV, Belgium. A further €8 million came from the addition of Bayer Technology and Engineering (Shanghai) Co. Ltd, China, in connection with the merger of Bayer Technology Services GmbH into Bayer AG. The shares in this company were the subject of an intra-Group sale to Bayer (China) Ltd., China, in 2016. A retirement of €4 million related to the adjustment of the carrying amount of Bayer Pharma AG following the settlements reached with former minority stockholders of Bayer Pharma AG (formerly Schering AG), Berlin, Germany, in connection with the appropriateness of the cash settlement paid in the squeeze-out process and the compensation payments for the control and profit and loss transfer agreement concluded in 2006. Retirements also included merger-related retirements of €60 million for Bayer Technology Services GmbH and €509 million for Bayer Antwerpen NV, Belgium, capital repayments of €165 million to Bayer (China) Ltd., China, and €259 million due to the transfer of 10 million shares in Covestro AG to Bayer Pension Trust e.V.

A list of Bayer AG's direct and indirect holdings can be found in Note 41 and forms part of these Notes.

In 2008, Bayer AG established a repayable "effective initial fund" of €800 million for Bayer-Pensionskasse VVaG, which was increased to €1,600 million in 2012. €595 million of this has so far been paid to the pension fund. 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.

## 16. Inventories

<b>Inventories</b>		
€ million	Dec. 31, 2015	Dec. 31, 2016
Raw materials and supplies	–	1
Work in process	–	2
	–	3

## 17. Trade accounts receivable

<b>Trade Accounts Receivable</b>		
€ million	Dec. 31, 2015	Dec. 31, 2016
Accounts receivable from subsidiaries	18	65
Accounts receivable from other customers	7	12
	25	77

## 18. Accounts receivable from subsidiaries

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

## 19. Other assets

The other assets included €73 million (2015: €32 million) for assets that do not legally come into being until after year end. With some insignificant exceptions, these consisted almost entirely of accrued interest. €37 million (2015: €0 million) of this amount comprised accrued interest relating to subsidiaries. Other assets also included €125 million (2015: €128 million) in claims for tax refunds, €222 million (2015: €29 million) in premiums paid to conclude options transactions, €12 million (2015: €6 million) in payroll receivables, €1,925 million (2015: €0 million) in short-term investments in commercial paper, and a large number of other items.

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

Total receivables and other assets amounting to €6,504 million (2015: €3,395 million) included €33 million (2015: €35 million) due in more than one year. Of this total, €3 million (2015: €4 million) comprised receivables from subsidiaries and €30 million (2015: €31 million) consisted of other assets.



## 21. Securities

The securities recognized in the previous year comprised zero-bonds with short maturities issued by the German government.

## 22. Cash and cash equivalents

Cash and cash equivalents included €1 million (2015: €1 million) to settle civil law compensation claims relating to antitrust violations in the fields of rubber, polyester polyols and urethanes in Canada. Bayer has placed this amount in an escrow account administered in Canada pending acceptance or judicial confirmation of the settlements offered.

## 23. Deferred charges

The deferred charges as of December 31, 2016, included unamortized discounts totaling €11 million pertaining to bonds issued by Bayer AG. The amount of €14 million recognized at the start of the year diminished by €3 million due to amortization. Also reflected here are unamortized discounts totaling €42 million, pertaining to the mandatory convertible bond issued by Bayer Capital Corporation B.V., Netherlands, which was passed on to Bayer AG with the same conditions. Likewise reported here are accrued charges of €157 million for U.S. dollar credit facilities which Bayer has obtained for the planned acquisition of the Monsanto Company.

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

## 24. Surplus from offsetting

Obligations arising from credit balances on employees' long-term worktime accounts are secured, and obligations from pension commitments are partially secured, by assets invested with Bayer Pension Trust e.V., Leverkusen, Germany, under multiple contractual trust arrangements (CTAs). These assets may only be used for the purpose of meeting the respective obligations and are protected from other creditors in the event that the employer becomes insolvent. They 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, 2016, the offset resulted in a positive difference of €140 million (2015: €109 million), of which €5 million (2015: €1 million) comprised obligations from long-term worktime accounts and €135 million (2015: €108 million) comprised pension commitments.

### Surplus from Offsetting

€ million	Dec. 31, 2015	Dec. 31, 2016
Settlement value of obligations relating to credit balances on employees' long-term worktime accounts	3	13
Fair value of assets invested with Bayer Pension Trust	4	18
<b>Differences between assets and obligations relating to long-term worktime accounts (surplus from offsetting)</b>	<b>1</b>	<b>5</b>
Acquisition cost of assets invested with Bayer Pension Trust	4	16

## 25. Equity

€ million	Dec. 31, 2015	Dec. 31, 2016
Settlement value of pension commitments	397	389
Fair value of assets invested with Bayer Pension Trust	505	524
<b>Differences between assets and obligations relating to pension commitments (surplus from offsetting)</b>	<b>108</b>	<b>135</b>
Acquisition cost of assets invested with Bayer Pension Trust	458	468

In 2016, the collateral assets principally comprised liquid international fixed-income bonds, shares, real estate and alternative investments made by a Belgium investment company operating as a SICAV (Société d'investissement à capital variable) through intermediate investment vehicles. Shares in the SICAV can be sold on any stock-exchange trading day. The collateral assets also included 10 million shares in Covestro AG, which were transferred by Bayer AG in 2016.

The collateral assets invested through the SICAV and the shares in Covestro AG are measured at fair value. As of December 31, 2016, this was €2,223 million. Offsetting these assets totaling €542 million against the corresponding obligations resulted in a positive difference, which was recorded as a surplus from offsetting; offsetting of the remaining €1,681 million against obligations was reported under provisions for pensions. There was no distribution by the SICAV in 2016. The dividend payment by Covestro AG resulted in an inflow to BPT of €7 million in 2016.

## 25. Equity

Changes in equity in 2016 were as follows:

<b>Equity</b>				
€ million	Dec. 31, 2015	Dividend for 2015	Net income	Dec. 31, 2016
Capital stock	2,117	0	0	2,117
Capital reserve	6,176	0	0	6,176
Other retained earnings	4,672	0	1,367	6,039
Distributable profit	2,067	(2,067)	2,233	2,233
	<b>15,032</b>	<b>(2,067)</b>	<b>3,600</b>	<b>16,565</b>

The capital stock of Bayer AG was unchanged from the previous year and amounted to €2,116,986,388.48, divided into 826,947,808 registered shares and fully paid in. Each share confers one voting right.

## Authorized capital and conditional capital

The authorized capital and conditional capital comprised:

<b>Authorized and Conditional Capital</b>				
<b>Capital</b>	<b>Resolution</b>	<b>Amount / Shares</b>	<b>Expires</b>	<b>Purpose</b>
Authorized capital I	April 29, 2014	€530 million	April 28, 2019	Increase the capital stock by issuing new no-par shares against cash contributions and / or contributions in kind, the latter not to exceed €423 million
Authorized capital II	April 29, 2014	€212 million	April 28, 2019	Increase the capital stock by issuing new no-par shares against cash contributions
Conditional capital	April 29, 2014	€212 million / up to 82,694,750 shares	April 28, 2019	Increase the capital stock by granting no-par shares to the holders of bonds with warrants or convertible bonds, profit participation certificates or income bonds. The authorizations to issue such instruments are limited to a total nominal amount of €6 billion

Capital increases are effected by issuing new registered no-par shares. Stockholders must normally be granted subscription rights. However, subscription rights may be excluded under certain conditions stated in the authorization resolutions. Absent a further resolution of the Annual Stockholders' Meeting on the exclusion of stockholders' subscription rights, the Board of Management will only use the existing authorizations to increase the capital stock out of the authorized or conditional capital – while excluding stockholders' subscription rights – up to a total amount of 20% of the capital stock that existed when the respective resolutions were adopted by the Annual Stockholders' Meeting on April 29, 2014. All issuances or sales of no-par shares or of bonds with warrants or conversion rights or obligations that are effected while excluding stockholders' subscription rights also count toward this 20% limit. Details of the authorized and conditional capital are provided in the Notice of the Annual Stockholders' Meeting of April 29, 2014, and on the Bayer website.

On November 16, 2016, Bayer placed a €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. At maturity, the outstanding amount of the notes will be mandatorily converted into registered no-par shares of Bayer AG. The proceeds were the subject of an intra-Group transfer to Bayer AG. The mandatory convertible notes will be reported under payables to subsidiaries until they mature. The issuance of the mandatory convertible notes constitutes a utilization of conditional capital.

The authorized capital has not been utilized so far.

**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 €246 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., Leverkusen, Germany (BPT), under several contractual trust arrangements. 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. Their fair value on the closing date was €2,223 million, which was €427 million above the acquisition costs of €1,796 million.

The difference between the pension obligations based on the average interest rate for ten and seven years and the difference between the fair value and acquisition cost of the assets held by BPT totaled €673 million. Since Bayer has freely available retained earnings of €6,039 million, there is no restriction on the use of the distributable profit of €2,233 million.

**Notifications of direct and indirect stockholdings pursuant to Section 21, 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 21, 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:

- > BlackRock, Inc., Wilmington, U.S.A., notified us that its voting rights amounted to 7.14% on July 13, 2016. 7.00% of these voting rights (57,904,160 voting rights) were attributable to this company pursuant to Section 22 WpHG. 0.02% of these voting rights (158,916 voting rights) were attributable to this company as an instrument within the meaning of Section 25, Paragraph 1, No. 1 WpHG (securities loan). 0.12% of these voting rights (978,092 voting rights) were attributable to this company as an instrument within the meaning of Section 25, Paragraph 1, No. 2 WpHG (contract of difference).
- > The Capital Group Companies, Inc., Los Angeles, U.S.A., notified us that its voting rights fell below the 3% threshold on May 24, 2016, and amounted on that date to 2.90% (23,968,500 voting rights). All of these voting rights were attributable to this company pursuant to Section 22 WpHG.
- > Sun Life Financial Inc., Toronto, Canada, notified us that its voting rights exceeded the 3% threshold on May 12, 2016, and amounted on that date to 3.18% (26,259,813 voting rights). All of these voting rights were attributable to this company pursuant to Section 22 WpHG.

For further details, please see the individual voting rights notifications, which are published on our website at [www.bayer.com](http://www.bayer.com).

## 26. 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, Germany, under multiple contractual trust arrangements (CTAs). These assets may only be used for the purpose of meeting the respective obligations and are protected from other creditors in the event that the employer becomes insolvent. They are offset against the underlying obligations. Any positive difference is capitalized as a surplus from offsetting, otherwise it is reflected in provisions.

Further information on the CTA is given in Note 24. The investments are measured at fair value.

### Provisions for Pensions

€ million	Dec. 31, 2015	Dec. 31, 2016
Settlement value of pension commitments	2,442	2,578
Fair value of assets invested with Bayer Pension Trust	880	1,681
<b>Net value of pension commitments</b>	<b>(1,562)</b>	<b>(897)</b>
Acquisition cost of assets invested with Bayer Pension Trust	852	1,312

## 27. Other provisions

### Other Provisions

€ million	Dec. 31, 2015	Dec. 31, 2016
Provisions for taxes	664	541
Miscellaneous provisions	130	467
	<b>794</b>	<b>1,008</b>

Miscellaneous provisions included amounts for environmental protection measures, early retirement arrangements, vacations, pre-retirement part-time working, incentive payments, long-service awards to employees, compensation of the Supervisory Board, 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 and sales agreements.

As of December 31, 2016, provisions of €1 million (2015: €1 million) existed for commitments arising from compensation claims relating to antitrust violations in the fields of rubber, polyester polyols and urethanes.

## 28. Bonds and promissory notes

In addition to promissory notes totaling €45 million (2015: €120 million), bonds with a nominal value of €6,567 million (2015: €7,067 million) had been issued as of December 31, 2016. They comprised:

<b>Bonds</b>					
	Nominal value	Stated rate	Effective rate	Dec. 31, 2015	Dec. 31, 2016
		%	%	€ million	€ million
EMTN 2006/2018	GBP 250 million	5.625	5.774	369	369
EMTN 2006/2018 (increase)	GBP 100 million	5.625	5.541	148	148
EMTN 2014/2016	EUR 500 million	variable	variable	500	–
EMTN 2014/2018	EUR 750 million	1.125	1.253	750	750
EMTN 2014/2021	EUR 750 million	1.875	2.086	750	750
Hybrid bond 2014/2074 <sup>1</sup>	EUR 1,500 million	3.750 <sup>4</sup>	3.811	1,500	1,500
Hybrid bond 2014/2075 <sup>2</sup>	EUR 1,750 million	3.000 <sup>5</sup>	3.093	1,750	1,750
Hybrid bond 2015/2075 <sup>3</sup>	EUR 1,300 million	2.375 <sup>6</sup>	2.517	1,300	1,300
				<b>7,067</b>	<b>6,567</b>

<sup>1</sup> Redeemable at 12 months' notice from 2024

<sup>2</sup> Redeemable at 12 months' notice from 2020

<sup>3</sup> Redeemable at 12 months' notice from 2022

<sup>4</sup> Fixed interest rate until 2024, thereafter floating rate based on five-year swap rate

<sup>5</sup> Fixed interest rate until 2020, thereafter floating rate based on five-year swap rate

<sup>6</sup> Fixed interest rate until 2022, thereafter floating rate based on five-year swap rate plus 200.7 basis points

## 29. Trade accounts payable

<b>Trade Accounts Payable</b>		
€ million	Dec. 31, 2015	Dec. 31, 2016
Payables to subsidiaries	43	30
Payables to other suppliers	33	56
	<b>76</b>	<b>86</b>

## 30. Payables to subsidiaries

The payables to subsidiaries mainly comprised financial liabilities such as loans and overnight funds made available to Bayer AG by subsidiaries. They include €4 billion from the mandatory convertible notes issued by Bayer Capital Corporation B.V., Netherlands, which was the subject of an intra-Group transfer to Bayer AG.

## 31. Miscellaneous liabilities

The miscellaneous liabilities comprised €57 million (2015: €23 million) in short-term investments with Bayer AG and €163 million (2015: €9 million) in premiums received on options. Accrued interest amounted to €204 million (2015: €151 million) and included €51 million (2015: €8 million) relating to subsidiaries. Tax liabilities amounted to €15 million (2015: €4 million) and mainly comprised employees' income and church taxes held for paying over to the authorities. In 2015, this item included €308 million from the issuance of a commercial paper.



## 32. Further information on liabilities

The residual maturities of liabilities were as follows:

### Maturity Structure of Other Liabilities

€ million	Dec. 31, 2015		Dec. 31, 2016	
	Maturing in 2016	Maturing after 2016	Maturing in 2017	Maturing after 2017
Bonds and promissory notes	575	6,612	–	6,612
Liabilities to banks	16	–	61	–
Down payments received on orders	–	–	2	–
Trade accounts payable	76	–	86	–
Payables to subsidiaries	22,235	517	26,646	4,500
Miscellaneous liabilities	514	3	463	6
	<b>23,416</b>	<b>7,132</b>	<b>27,258</b>	<b>11,118</b>

€5,050 million (2015: €5,797 million) of the total liabilities have a residual maturity of more than five years. Of this amount, €4,550 million (2015: €5,300 million) comprised bonds and €500 million (2015: €497 million) payables to subsidiaries.

The total liabilities as of December 31, 2016, included €153 million (2015: €153 million) in liabilities that did not legally come into being until after year end. These consisted almost entirely of accrued interest amounting to €153 million (2015: €151 million).

## 33. Trust assets

Bayer AG administered assets of €342 thousand (2015: €2,699 thousand) held in trust for a research project.

## Other Information

### 34. Contingent liabilities

Liabilities arising from debt guarantees and sureties totaled €14,150 million (2015: €11,007 million). With minor exceptions, they were issued in favor of subsidiaries. To our knowledge, all of these companies are able to meet the underlying liabilities, so the contingent liabilities are not expected to materialize.

#### Debt Guarantees and Sureties

	Dec. 31, 2015	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2016
	Nominal amount	€ million	Nominal amount	€ million
<b>Guarantees for Group companies</b>				
Bayer Capital Corporation B.V., Netherlands				
– 1.250% EMTN, maturing in 2023	EUR 500 million	500	EUR 500 million	500
– 5.625% mandatory convertible bond, maturing 2019 at the latest	–	–	EUR 4,000 million	4,000
– Liabilities to banks	EUR 601 million	601	EUR 74 million	74
Bayer World Investments B.V., Netherlands				
– Floating-rate term loan, maturing in 2018	USD 1,700 million	1,561	USD 1,700 million	1,613
Bayer Corporation, U.S.A.				
– 6.650% notes, maturing in 2028	USD 350 million	322	USD 350 million	332
– Commercial paper	USD 32 million	29	USD 20 million	19
– Liabilities to banks	USD 33 million	30	USD 33 million	31
Bayer US Finance LLC, U.S.A.				
– Floating-rate notes, maturing in 2016	USD 500 million	459		
– Floating-rate notes, maturing in 2017	USD 400 million	367	USD 400 million	379
– 1.500% notes, maturing in 2017	USD 850 million	781	USD 850 million	807
– 2.375% notes, maturing in 2019	USD 2,000 million	1,837	USD 2,000 million	1,898
– 3.000% notes, maturing in 2021	USD 1,500 million	1,378	USD 1,500 million	1,423
– 3.375% notes, maturing in 2024	USD 1,750 million	1,608	USD 1,750 million	1,661
Bayer Holding Ltd., Japan				
– 1.459% EMTN, maturing in 2017	JPY 10 billion	76	JPY 10 billion	81
– 0.816% EMTN, maturing in 2017	JPY 30 billion	229	JPY 30 billion	244
– 3.575% EMTN, maturing in 2018	JPY 15 billion	114	JPY 15 billion	121
– 0.594% EMTN, maturing in 2019	JPY 10 billion	76	JPY 10 billion	81
Bayer Nordic SE, Finland				
– Floating-rate EMTN, maturing in 2016	EUR 200 million	200		
– Floating-rate EMTN, maturing in 2017	EUR 500 million	500	EUR 500 million	500
Silver Birch Trustees Ltd., U.K.				
– Pension obligations	GBP 141 million	192	GBP 190 million	222
Bayer Real Estate GmbH, Germany				
– Contractual obligations to Bayer-Pensionskasse VVaG	EUR 82 million	82	EUR 78 million	78
Currenta GmbH & Co. OHG, Germany				
– Liabilities to the Federal State of North Rhine-Westphalia	EUR 53 million	53	EUR 53 million	53
Guarantees for other Group companies		4		4
Sureties for Group companies		2		4
Sureties for third parties		6		25
		<b>11,007</b>		<b>14,150</b>

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

## 35. Other financial commitments

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

A total commitment of €2,326 million (2015: €8 million) related to rental and leasing payments which already existed and were assumed from Bayer Pharma AG and Bayer CropScience AG in connection with the business lease of January 1, 2017. €2,265 million (2015: €8 million) of this amount related to rental and lease agreements with subsidiaries. Of the total rental and lease commitments, the following payments were due:

### Leasing and Rental Obligations

	€ million
2017	573
2018	155
2019	156
2020	155
2021	155
After 2021	1,132
	<b>2,326</b>

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 a repayable, interest-bearing loan to Bayer-Pensionskasse as required. In 2012, it was increased by €800 million to €1,600 million. Following payment of a total of €595 million, a loan commitment of €1,005 million remained.

In connection with the transfer of the business of Bayer Pharma AG and Bayer CropScience AG on January 1, 2017, by way of a business lease, the license agreements and research collaborations of these two companies also passed to Bayer AG. Based on current estimates, payment obligations of €2,962 million (2015: €0) will result in the coming years. The maturity spread of the total commitments comprised:

### Cooperation Agreements

	€ million
2017	1,065
2018	96
2019	160
2020	50
2021	28
After 2021	1,563
	<b>2,962</b>

## 36. Derivatives / micro-hedges

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 and interest-rate futures 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. On the commodities markets, Bayer AG concludes derivatives agreements with external counterparties to hedge the price of raw materials and energy required by Group companies to conduct their operational business. However, these are now negligible.

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.

Where derivatives have a positive fair value, a credit or default risk arises from the fact that the counterparties may not be able to meet their obligations. To minimize this risk, we assign contract limits to the individual banks according to their creditworthiness.

The notional amount of financial derivatives contracts concluded with external counterparties was €33.5 billion as of December 31, 2016 (2015: €16.8 billion). Back-to-back derivatives contracts in a notional amount of €13.8 billion (2015: €15.2 billion) were concluded with Group companies. Thus the total notional amount of derivatives was €47.3 billion (2015: €32.0 billion), including those forming micro-hedges. The derivatives comprised the following:

**Financial Derivatives**

€ million	Notional amounts		Fair values		Carrying amounts	
	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2016
Currency contracts						
– positive fair values	14,406	15,185	429	543	–	–
– negative fair values	12,435	12,392	(381)	(355)	–	–
	26,841	27,577	48	188	(5)	(20)
Currency options						
– positive fair values	452	9,456	14	276	–	–
– negative fair values	458	5,250	(14)	(75)	–	–
	910	14,706	–	201	–	–
Cross-currency interest-rate swaps						
– positive fair values	1,471	1,588	416	193	–	–
– negative fair values	2,441	2,298	(470)	(311)	–	–
	3,912	3,886	(54)	(118)	–	–
Interest swaps						
– positive fair values	200	200	13	14	–	–
	200	200	13	14	–	–
Share options						
– positive fair values	71	512	23	63	–	–
– negative fair values	76	462	(20)	(56)	–	–
	147	974	3	7	2	2
	<b>32,010</b>	<b>47,343</b>	<b>10</b>	<b>292</b>	<b>(3)</b>	<b>(18)</b>

**Derivatives used to hedge currency risks**

To hedge currency risks, Bayer AG used currency contracts (forward exchange agreements and currency options) and cross-currency interest-rate swaps.

Hedging was focused on financial exposure. To hedge the currency risk arising from receivables and liabilities at Bayer AG and Group companies, Bayer AG concluded currency contracts with a notional amount of €12.8 billion (2015: €10.1 billion) with external counterparties. They had a positive fair value of €101 million (2015: €190 million). Some of these contracts were passed on to Group companies. The notional amount of these reciprocal intra-Group transactions was €6.8 billion (2015: €8.9 billion) and they had a positive fair value of €87 million (2015: negative fair value of €143 million).

Currency contracts concluded to hedge foreign currency receivables and liabilities of Group companies are generally passed on to the respective Group companies through appropriate internal transactions. The effects of these internal and external transactions cancel each other out when they are closed out. Wherever possible, currency-based portfolio hedges were formed. The corresponding contracts are due in 2017 and 2018 and were not recognized in the statement of financial position. The positive fair value of contracts not included in portfolio hedges amounted to €178 million (2015: €38 million). Included in this amount were currency contracts with a negative fair value of €19 million (2015: €5 million). This amount was recognized in miscellaneous provisions as impending losses. Currency contracts with positive fair values of €197 million in 2016 (2015: €43 million) were not recognized in the statement of financial position.

Currency contracts were also used to hedge foreign currency loans made by Group companies to Bayer AG. The loans and currency contracts were combined to form micro-hedges. The – negative – carrying amount of the hedged loans was €3,317 million on the closing date (2015: €3,449 million). Their fair value was €76 million (2015: €8 million) lower at €3,393 million (2015: €3,457 million). The corresponding external currency contracts had a net positive fair value of €80 million (2015: €10 million). They are due in 2017 and were not recognized in the statement of financial position.

To hedge forecast foreign currency transactions at Group companies that are considered highly probable, external currency contracts were concluded with a notional amount of €17.5 billion (2015: €3.8 billion) and

a positive fair value of €103 million (2015: €38 million). They were offset by reciprocal transactions with Group companies with a notional amount of €5.0 billion (2015: €4.7 billion) and had a positive fair value of €98 million at year end (2015: negative fair value of €38 million). Changes in the value of the corresponding internal and external contracts will cancel each other out when they are closed out in 2017 and 2018. These transactions were combined as micro-hedges and, with the exception of option premiums paid and received of €178 million in each case (2015: €15 million), were not reflected in the statement of financial position.

Only a small amount of other derivatives contracts were concluded (€0.1 billion; 2015: €0.1 billion). The negative fair value of €1 million was offset by transactions with a positive fair value of €1 million. They were not recognized in the statement of financial position.

Cross-currency interest-rate swaps with a notional amount of €0.5 billion (2015: €0.5 billion) were used to hedge foreign exchange risks from the GBP bonds issued in 2006. Including the corresponding interest accruals, they had a net negative fair value of €120 million (2015: negative fair value of €54 million). The cross-currency interest-rate swaps and bonds form a micro-hedge. The effectiveness of the cross-currency interest-rate swaps is tested prospectively using the critical term match method and retrospectively using the regression method to ensure that the values and cash flows of the transactions offset one another. As a consequence, the bonds were recognized as previously at their original acquisition cost of €517 million and the cross-currency interest-rate swaps, which are due in 2018, were not reflected in the financial statements prepared in accordance with German commercial law.

Other cross-currency interest-rate swaps with a notional amount of €1.7 billion (2015: €1.1 billion) were concluded to hedge Group loans granted by Bayer NV, Belgium. As a result of back-to-back agreements with Bayer NV with a notional value of €1.5 billion (2015: €0.9 billion), the positive and negative fair values of the various hedge relationships formed according to the maturities of the agreements canceled each other out. Other external and internal cross-currency interest-rate swaps with a total notional value of less than €0.1 billion (2015: €0.1 billion) also canceled each other out; they were not recognized in the statement of financial position. In 2015, cross-currency interest-rate swaps with a notional amount of €0.7 billion still existed for Schering Berlin Inc., U.S.A. The negative fair values were offset by internal counter-transactions of the same amount with Schering Berlin Inc., in two micro-hedges. The cross-currency interest-rate swaps hedged an intra-Group loan granted by Schering Berlin Inc. to Bayer Inc., Canada. The cross-currency interest-rate swaps were not recognized in the statement of financial position.

#### **Derivatives used to hedge interest rate risks**

Receiver swaps were used, among other things, to hedge the interest-rate risk relating to EMTN bonds issued by Bayer AG. The swaps mature in the period up to 2021 in line with the maturities of the bonds. They had a notional amount of €0.2 billion (2015: €0.2 billion) and a net positive fair value of €14 million (2015: €13 million). They constituted a hedging relationship (micro-hedge) with the bonds, which were reflected in the financial statements. The effectiveness of the hedging relationship is examined prospectively and retrospectively using regression analysis. Since the cash flows relating to the hedged contract and receiver swaps cancel each other out, the receiver swaps were not reflected in the statement of financial position.

#### **Derivatives used to hedge price risks**

Bayer AG has concluded share option contracts and customized forward trade contracts with external counterparties to hedge a portion of the obligations arising from the Aspire stock-based compensation program. These expire between 2017 and 2020. Their net fair value was €26 million on December 31, 2016. Contracts with a negative net fair value of €19 million, the majority of which were passed on to Group companies, formed micro-hedges with the contracts concluded with external counterparties. These contracts therefore canceled each other out. The contracts remaining with Bayer AG had a fair value of €7 million and formed a micro-hedge with the primary obligations arising from the stock-based compensation program. This hedging relationship is tested prospectively using the critical term match method and

retrospectively using regression analysis. The option premiums paid amounting to €59 million (2015: €20 million) and the option premiums received amounting to €55 million (2015: €18 million) were recognized in the statement of financial position. Of the contracts not reflected in the statement of financial position, €2 million related to transactions with negative fair values. This amount was recognized in miscellaneous provisions as impending losses.

External commodity contracts were passed on to Group companies on reciprocal terms as micro-hedges. The results of the contracts that had matured by year end canceled each other out. Only a small amount of commodity contracts was purchased in 2016. No commodity contracts remained on the closing date.

### Valuation methods

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

- Forward exchange contracts are measured individually at their forward rates on the closing date. These depend on spot rates, including time spreads.
- The fair values of currency options are determined using a Black-Scholes model.
- The fair value of interest-rate swaps is determined by discounting expected future cash flows. Discounting applies market interest rates for the remaining term of these instruments. The fair values of interest-rate options are determined using a Black-Scholes model.
- The fair value of share options is determined by a Monte Carlo simulation.
- The fair value of forward commodity contracts is calculated from future price data obtained from the markets or from external data providers. Certain long-term commodity contracts for which market data are unavailable are measured with the aid of valuation models based on internal fundamental data.

## 37. Legal risks

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

**Yasmin™ / YAZ™:** Most of the lawsuits and claims concerning Bayer's drospirenone-containing oral contraceptives in the United States have been resolved. Claimants allege that users have suffered personal injuries, some of them fatal, from the use of Yasmin™ and / or YAZ™ or their generic versions, and seek compensatory and punitive damages, claiming, in particular, that Bayer had not adequately warned of the alleged risks.

As of January 23, 2017, lawsuits and claims of approximately 100 claimants remain pending against Bayer in the United States. Without admission of liability, Bayer is considering about a dozen of the lawsuits and claims for possible settlement after a case-specific analysis of medical records.

A few U.S. State Attorney Generals are investigating alleged violations of consumer protection statutes, including off-label promotion and failure to warn. One Attorney General has filed an action against Bayer.

As of January 23, 2017, 13 lawsuits seeking class action certification had been served upon Bayer in Canada. In two of these lawsuits a class action has been certified. Two motions for certification of a class action are pending in Israel.

Bayer believes that it has meritorious defenses and will continue to defend itself vigorously against all claims that are not considered for settlement.

**Mirena™:** As of January 23, 2017, lawsuits from approximately 2,600 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). Plaintiffs allege personal injuries resulting from the use of Mirena™, including perforation of the uterus, ectopic pregnancy or idiopathic intracranial hypertension, and seek compensatory and punitive damages. Plaintiffs claim, inter alia, that Mirena™ is defective and that Bayer knew or should have known of the risks associated with it and failed to adequately warn its users. Additional lawsuits are anticipated. Most of the cases pending in U.S. federal courts have been consolidated in a multidistrict litigation proceeding for common pre-trial management. In July 2016, the multidistrict litigation court granted summary judgment dismissing approximately 1,230 cases pending before that court. Plaintiffs have appealed the decision. As of January 23, 2017, 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.

**Xarelto™:** As of January 23, 2017, U.S. lawsuits from approximately 16,400 recipients of Xarelto™, an oral anticoagulant for the treatment and prevention of blood clots, had been served upon Bayer. Plaintiffs allege personal injuries from the use of Xarelto™, including cerebral, gastrointestinal or other bleeding and death, and seek compensatory and punitive damages. They claim, amongst other things, that Xarelto™ is defective and that Bayer knew or should have known of these risks associated with the use of Xarelto™ and failed to adequately warn its users. Additional lawsuits are anticipated. Cases pending in U.S. federal courts have been consolidated in a multidistrict litigation for common pre-trial management. As of January 23, 2017, ten Canadian lawsuits relating to Xarelto™ seeking class action certification had been served upon Bayer. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

**Essure™:** As of January 23, 2017, U.S. lawsuits from approximately 3,700 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. As of January 23, 2017, two Canadian lawsuits relating to Essure™ seeking class action certification had been served upon Bayer. 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 for anticipated defense costs. However, the accounting measures relating to Yasmin™ / YAZ™ and Essure™ claims exceed the available insurance coverage. Concerning Yasmin™ / YAZ™, the accounting measures include costs for agreed and anticipated future settlements based on the information currently available and based on the number of pending and estimated future claims alleging venous clot injuries.

### Patent disputes

**Beyaz™ / Safyral™:** Beyaz™ and Safyral™ are Bayer's oral contraceptives containing folate. In 2015, a U.S. federal court ruled in favor of Bayer regarding both the validity of its patent and the infringement thereof by Watson Laboratories, Inc. ("Watson"). Watson had filed Abbreviated New Drug Applications with a Paragraph IV certification ("ANDA IV") seeking approval of generic versions of both Beyaz™ and Safyral™ in the United States. In May 2016, the U.S. Court of Appeals for the Federal Circuit invalidated the patent claims asserted by Bayer and reversed the judgment by the U.S. federal court. Bayer petitioned the U.S. Supreme Court to review the decision by the U.S. Court of Appeals for the Federal Circuit. In January 2017, the U.S. Supreme Court denied Bayer's petition. The decision by the U.S. Court of Appeals for the Federal Circuit against Bayer is now final. In 2015, Bayer filed two lawsuits against Lupin Ltd. and Lupin Pharmaceuticals, Inc. (together "Lupin") in a U.S. federal court for infringement of the same patent. Prior to this in 2015, Bayer had received two notices of an ANDA IV application by Lupin seeking approval to market generic versions of Safyral™ and Beyaz™ in the United States. In view of the May 2016 decision by the U.S. Court of Appeals for the Federal Circuit, the U.S. federal court ruled in favor of Lupin in November 2016. This decision is now also final.

**Xarelto™:** In 2015, Bayer and Janssen Pharmaceuticals, Inc. filed a patent infringement lawsuit in a U.S. federal court against Aurobindo Pharma Limited, Aurobindo Pharma USA, Inc. (together "Aurobindo"), Breckenridge Pharmaceutical Inc. ("Breckenridge"), Micro Labs Ltd., Micro Labs USA Inc. (together "Micro Labs"), Mylan Pharmaceuticals Inc., Mylan Inc. (together "Mylan"), Princeton Pharmaceutical Inc. ("Princeton"), Sigmapharm Laboratories, LLC ("Sigmapharm"), Torrent Pharmaceuticals, Limited and Torrent Pharma Inc. (together "Torrent"). Earlier in 2015, Bayer had received notices of an ANDA IV application by Aurobindo, Breckenridge, Micro Labs, Mylan, Princeton, Sigmapharm and Torrent, each seeking approval to market a generic version of Xarelto™, an oral anticoagulant for the treatment and prevention of blood clots, in the United States. In January 2016, Bayer received another notice of such an ANDA IV application by InvaGen Pharmaceuticals, Inc. ("InvaGen"). In February 2016, Bayer and Janssen Pharmaceuticals, Inc. filed a patent infringement lawsuit against InvaGen in the same U.S. federal court.

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

## 38. 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 was drawn in both 2015 and 2016. 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. On December 31, 2016, the amount drawn was €595 million, and thus unchanged from year end 2015.

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

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

With its focus now on the Life Science businesses, the company introduced a new organizational structure effective January 1, 2016. It is now made up of three divisions – Pharmaceuticals (prescription medicines), Consumer Health (nonprescription medicines) and Crop Science (agriculture) – the Animal Health business unit and the interest in Covestro AG.

The reorganization was completed effective January 1, 2017, with the conclusion of business lease agreements between Bayer Pharma AG and Bayer CropScience AG on the one hand and Bayer AG on the other hand. These agreements regulate matters including the scope of the leased business operations, the transition of all employment contracts to Bayer AG and the lease payments.

The objects of the leases are all assets, contracts and other legal relationships required to conduct the lessors' business operations. Excluded from the business leases are all interests in affiliated companies and the associated rights as well as other financial assets (including silent interests) together with the associated receivables, other rights and liabilities. The inventories of both companies were sold to Bayer AG.

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

The compensation of the Board of Management in 2016 comprised:

<b>Total Compensation of the Board of Management</b>		
€ thousand	2015	2016
Fixed salaries	4,455	6,385
Compensation in kind and other benefits	207	664
Short-term variable cash compensation	5,983	9,063
Long-term variable cash compensation based on virtual Bayer shares <sup>1</sup>	5,983	–
– Number of virtual shares granted	50,210	–
Long-term stock-based cash compensation (Aspire I, Aspire 2.0) <sup>2</sup>	1,290	12,333
<b>Aggregate compensation</b>	<b>17,918</b>	<b>28,445</b>
Service cost for pension commitments <sup>3</sup>	1,847	2,737

<sup>1</sup> Fair value as of conversion date

<sup>2</sup> Fair value as of grant date

<sup>3</sup> Including company contribution to Bayer-Pensionskasse VVaG and Rheinische Pensionskasse, respectively

Until 2015, members of the Board of Management received 50% of their short-term variable compensation in the form of virtual Bayer shares. In the above table, this entitlement is stated as “long-term variable cash compensation, based on virtual Bayer shares” at the fair value as of the conversion date. Payment is made after three years and depends on the market price of Bayer shares at that time. It also includes 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 not included in the aggregate compensation. They are shown separately in the next table.

Members of the Board of Management also participate in stock-based compensation programs (Aspire I and Aspire 2.0). 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 I, Aspire 2.0)." The entitlements earned in 2016 under the stock-based compensation programs granted in 2016 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 2016 are shown separately.

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

<b>Multi-Year Variable Compensation of the Board of Management</b>		
€ thousand	2015	2016
<b>Long-term variable cash compensation based on virtual Bayer shares</b>		
– Fair value of virtual shares granted in the fiscal year	5,983	–
– Change in the value of virtual shares granted in previous years	556	(1,275)
	<b>6,539</b>	<b>(1,275)</b>
<b>Long-term stock-based cash compensation (Aspire I)</b>		
– Entitlements earned in the fiscal year	2,330	5,217
– Change in the value of entitlements earned in previous years	272	(923)
	<b>2,602</b>	<b>4,294</b>
<b>Expense</b>	<b>9,141</b>	<b>3,019</b>

Expenses for pension entitlements granted to the members of the Board of Management serving in 2016 amounted to €2,737 thousand (2015: €1,847 thousand). These comprised current 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 €2,249 thousand (2015: €5,612 thousand). Provisions for pension obligations on the closing date were €18,346 thousand (2015: €23,604 thousand).

On account of the mutually agreed early termination effective April 30, 2016, of the service contract of Dr. Marijn Dekkers, which was valid through December 31, 2016, benefits of €4,341 thousand were agreed with him.

Pension payments to former members of the Board of Management and their surviving dependents in 2016 amounted to €12,800 thousand (2015: €13,416 thousand). Provisions for pensions and similar commitments to former members of the Board of Management and their surviving dependents amounting to €149,948 thousand (2015: €148,632 thousand) were reflected in the statement of financial position of Bayer AG.

The total remuneration of the Supervisory Board in 2016 was €3,479 thousand (2015: €3,291 thousand). This included attendance fees of €118 thousand (2015: €123 thousand).

There were no loans to members of the Board of Management or the Supervisory Board as of December 31, 2016 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. Overview of interests

Bayer AG holds interests in the following companies within the meaning of Section 271, Paragraph 1 of the German Commercial Code (HGB). The equity and net income/loss are based on the financial statements prepared in accordance with local law. All amounts are rounded. Where profits have been transferred, net income/loss is shown after transfer.

### Overview of Interests

		Bayer's interest	Equity	Net income/loss	Footnotes
		%	€ million	€ million	
Company name	Place of business				
Europe					
Adverio Pharma GmbH	Schönefeld, Germany	100.0	0.1	1.2	1
Agreva GmbH	Frankfurt am Main, Germany	100.0	0.0	0.0	1, 2
AgrEvo Verwaltungsgesellschaft mbH	Frankfurt am Main, Germany	100.0	0.4	0.0	1, 2
Alcafleu Management GmbH & Co. KG	Schönefeld, Germany	99.9	600.6	112.5	1
Algeta Innovations AS	Oslo, Norway	100,0	(18.5)	(4.2)	1
AO Bayer	Moscow, Russia	100.0	103.2	22.3	1
Ausbildungsinitiative Rheinland GmbH	Leverkusen, Germany	100.0	0.0	0.0	2
Axxam S. p. A.	Milan, Italy	23.2	2.9	0.1	1
Bayer (Schweiz) AG	Zurich, Switzerland	100.0	65.1	12.9	1
Bayer 04 Immobilien GmbH	Leverkusen, Germany	100.0	40.0	0.0	1, 2
Bayer 04 Leverkusen Fußball GmbH	Leverkusen, Germany	100.0	110.5	0.0	1, 2
Bayer 04 Leverkusen Sportförderung gGmbH	Leverkusen, Germany	100.0	0.4	0.0	1
Bayer A/S	Copenhagen, Denmark	100.0	24.0	7.6	1
Bayer AB	Solna, Sweden	100.0	12.0	6.1	1
Bayer AEH Limited	Cambridge, U.K.	100.0	0.0	0.0	
Bayer Agriculture Limited	Cambridge, U.K.	100.0	0.9	0.8	
Bayer Altersversorgung GmbH	Leverkusen, Germany	100.0	55.2	0.0	1, 2
Bayer Animal Health GmbH	Leverkusen, Germany	100.0	875.9	190.2	1
Bayer AS	Oslo, Norway	100.0	100.6	34.1	1

<sup>1</sup> Provisional result<sup>3</sup> 2015 figures<sup>2</sup> Profit and loss transfer agreement<sup>4</sup> Pre-consolidated

**Overview of Interests**

Company name	Place of business	Bayer's interest	Equity	Net income/loss	Footnotes
		%	€ million	€ million	
Bayer Austria Gesellschaft m. b. H.	Vienna, Austria	100.0	16.6	4.0	1
Bayer B. V.	Mijdrecht, Netherlands	100.0	2,054.2	6.4	1
Bayer Beteiligungsverwaltung Goslar GmbH	Leverkusen, Germany	100.0	491.6	0.0	1, 2
Bayer Bitterfeld GmbH	Bitterfeld-Wolfen, Germany	100.0	235.3	0.0	1, 2
Bayer Bulgaria EOOD	Sofia, Bulgaria	100.0	9.4	3.0	1
Bayer Business Services GmbH	Leverkusen, Germany	100.0	86.7	0.0	1, 2
Bayer Capital Corporation B. V.	Mijdrecht, Netherlands	100.0	12.2	0.3	1
Bayer Chemicals AG	Leverkusen, Germany	100.0	406.0	0.0	1, 2
Bayer Consumer Care AG	Basel, Switzerland	100.0	2,380.0	453.7	1
Bayer Consumer Care Deutschland GmbH	Berlin, Germany	100.0	1.1	0.0	1, 2
Bayer CropScience (Portugal)-Produtos para a Agricultura, Lda	Carnaxide, Portugal	100.0	14.0	0.4	
Bayer CropScience AG	Monheim am Rhein, Germany	100.0	3,113.4	0.0	1, 2
Bayer CropScience Beteiligungsgesellschaft mbH	Monheim am Rhein, Germany	100.0	15.9	(0.8)	1
Bayer CropScience Biologics GmbH	Wismar, Germany	100.0	2.3	0.0	1, 2
Bayer CropScience Deutschland GmbH	Langenfeld, Germany	100.0	24.3	12.4	1
Bayer CropScience Holding SA	Lyon, France	100.0	760.8	(0.2)	1
Bayer CropScience Limited	Cambridge, U.K.	100.0	(15.2)	9.4	1
Bayer CropScience Norwich Limited	Cambridge, U.K.	100.0	0.0	0.0	
Bayer CropScience NV	Diegem, Belgium	100.0	313.3	27.6	1
Bayer CropScience S. r. l.	Milan, Italy	100.0	77.0	5.9	1
Bayer CropScience Schweiz AG	Muttenz, Switzerland	100.0	81.7	20.2	1
Bayer CropScience Vermögensverwaltungsgesellschaft mbH	Leverkusen, Germany	100.0	101.3	5.2	1
Bayer CropScience, S. L.	Paterna, Spain	100.0	77.5	8.8	1
Bayer d. o. o.	Belgrade, Serbia	100.0	10.0	1.0	1
Bayer d. o. o.	Ljubljana, Slovenia	100.0	12.3	1.9	1

<sup>1</sup> Provisional result<sup>3</sup> 2015 figures<sup>2</sup> Profit and loss transfer agreement<sup>4</sup> Pre-consolidated

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Company name	Place of business	Bayer's interest	Equity	Net income / loss	Footnotes
		%	€ million	€ million	
Bayer d. o. o.	Zagreb, Croatia	100.0	1.4	0.3	1
Bayer d.o.o. Sarajevo	Sarajevo, Bosnia and Herzegovina	100.0	0.6	0.1	1
Bayer Digital Farming GmbH	Münster, Germany	100.0	1.7	0.0	1
Bayer Direct Services GmbH	Leverkusen, Germany	100.0	0.3	0.0	1, 2
Bayer Gastronomie GmbH	Leverkusen, Germany	100.0	5.0	0.0	1, 2
Bayer Gesellschaft für Beteiligungen mbH	Leverkusen, Germany	100.0	6,101.7	0.0	1, 2
Bayer Global Investments B. V.	Mijdrecht, Netherlands	100.0	12,646.8	352.5	1
Bayer HealthCare Manufacturing S. r. l.	Milan, Italy	100.0	327.3	36.3	1
Bayer Healthcare S. r. l.	Milan, Italy	100.0	0.0	0.0	1
Bayer HealthCare SAS	Loos, France	100.0	124.5	32.8	1
Bayer Hellas A. G.	Athens, Greece	100.0	21.6	10.2	1
Bayer Hispania, S. L.	Sant Joan Despi, Spain	100.0	2,087.7	76.9	1
Bayer Hungária Kft.	Budapest, Hungary	100.0	24.6	5.1	1
Bayer Innovation GmbH	Leverkusen, Germany	100.0	33.7	0.0	1, 2
Bayer Intellectual Property GmbH	Monheim am Rhein, Germany	100.0	1.0	0.2	1
Bayer Limited	Dublin, Ireland	100.0	4.2	3.0	1
Bayer Ltd.	Kiev, Ukraine	100.0	52.5	30.3	1
Bayer Medical Care B. V.	Maastricht, Netherlands	100.0	39.2	12.0	1
Bayer Nordic SE	Espoo, Finland	100.0	1,623.0	397.8	1
Bayer Norway AS	Oslo, Norway	100.0	614.6	(54.4)	1
Bayer NV	Diegem, Belgium	100.0	11,663.3	166.9	1
Bayer OÜ	Tallinn, Estonia	100.0	1.5	0.3	1
Bayer Oy	Turku, Finland	100.0	616.5	534.3	1
Bayer Pharma AG	Berlin, Germany	100.0	5,722.8	0.0	1, 2
Bayer Portugal, Lda.	Carnaxide, Portugal	100.0	28.6	2.3	
Bayer Public Limited Company	Newbury, U.K.	100.0	(42.1)	(53.8)	1
Bayer Real Estate GmbH	Leverkusen, Germany	100.0	380.6	0.0	1, 2

<sup>1</sup> Provisional result<sup>3</sup> 2015 figures<sup>2</sup> Profit and loss transfer agreement<sup>4</sup> Pre-consolidated



**Overview of Interests**

Company name	Place of business	Bayer's interest	Equity	Net income/loss	Footnotes
		%	€ million	€ million	
Bayer Real Estate Waltersdorf Verwaltungs-GmbH	Schönefeld, Germany	100.0	0.0	0.0	1, 2
Bayer S. A. S.	Lyon, France	100.0	1,372.4	129.6	1
Bayer S. p. A.	Milan, Italy	100.0	608.7	36.1	1
Bayer s. r. o.	Prague, Czech Republic	100.0	13.3	6.5	1
Bayer Schering Pharma AG	Berlin, Germany	100.0	257.5	0.0	1, 2
Bayer Seeds B. V.	Mijdrecht, Netherlands	100.0	924.6	(2.3)	1
Bayer Solution B. V.	Mijdrecht, Netherlands	100.0	0.0	0.0	1
Bayer Sp. z o. o.	Warsaw, Poland	100.0	69.7	17.6	1
Bayer US B. V.	Mijdrecht, Netherlands	100.0	6,184.8	4.0	1
Bayer US GmbH & Co. KG	Monheim am Rhein, Germany	100.0	0.0	0.0	1
Bayer US IP GmbH	Leverkusen, Germany	100.0	0.0	0.0	1, 2
Bayer Verwaltungsgesellschaft mbH	Weimar, Germany	100.0	0.2	0.0	1
Bayer Vital GmbH	Leverkusen, Germany	100.0	88.5	0.0	1, 2
Bayer Weimar GmbH und Co. KG	Weimar, Germany	100.0	47.8	5.8	1
Bayer World Investments B. V.	Mijdrecht, Netherlands	100.0	12,267.0	218.3	1
Bayer WR LLC	Minsk, Belarus	100.0	0.0	0.0	1
Bayer, spol. sr.o.	Bratislava, Slovakia	100.0	3.8	1.6	1
Bayer-Handelsgesellschaft mit beschränkter Haftung	Leverkusen, Germany	100.0	14.0	0.0	1, 2
Bayer-Unterstützungskasse GmbH	Leverkusen, Germany	100.0	29.7	(0.6)	1
Bayhealth Comercialização de Produtos Farmacêuticos Unipessoal Lda.	Carnaxide, Portugal	100.0	0.0	0.0	
BBB Management GmbH Campus Berlin-Buch	Berlin, Germany	20.0	1.0	0.1	1
Berlex – Especialidades Farmacêuticas Lda	Carnaxide, Portugal	100.0	0.0	0.0	
Berlifarma – Especialidades Farmacêuticas, Lda	Carnaxide, Portugal	100.0	0.0	0.0	
Berlimed – Especialidades Farmacêuticas Lda	Carnaxide, Portugal	100.0	0.0	0.0	
Berlimed, S. A.	Madrid, Spain	100.0	28.9	1.4	1

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Company name	Place of business	Bayer's interest	Equity	Net income / loss	Footnotes
		%	€ million	€ million	
Berlipharm B. V.	Weesp, Netherlands	100.0	17.4	(0.1)	1
Berlis AG	Zurich, Switzerland	100.0	1.5	0.2	1
BGI Deutschland GmbH	Leverkusen, Germany	100.0	4,000.0	0.0	1, 2
Biogenetic Technologies B. V.	Rotterdam, Netherlands	100.0	56.5	0.0	1
Casebia Therapeutics Limited Liability Partnership	Ascot, U.K.	50.0	66.5	(67.7)	1
CENTROFARMA-Indústria e Comércio de Prod. Farmacêuticos, Lda.	Carnaxide, Portugal	100.0	0.0	0.0	
Chemie-Beteiligungsaktiengesellschaft	Glarus, Switzerland	100.0	1.2	0.0	1
Chemion Logistik GmbH	Leverkusen, Germany	100.0	10.6	0.0	2
CleanTech NRW GmbH	Leverkusen, Germany	100.0	0.0	0.0	1
Conceptus Medical Limited	Esher, U.K.	100.0	0.0	0.0	
Covestro (France) SNC	Fos-sur-Mer, France	100.0	52.7	5.5	1
Covestro (Slovakia) Services s. r. o.	Bratislava, Slovakia	100.0	0.0	0.0	1
Covestro (Tiel) NV	Tielt, Belgium	100.0	33.8	2.4	1
Covestro A/S	Otterup, Denmark	100.0	6.9	3.1	1
Covestro AG	Leverkusen, Germany	64.2	5,617.8	457.6	1
Covestro B. V.	Foxhol, Netherlands	100.0	105.5	15.7	1
Covestro Brunsbüttel Energie GmbH	Brunsbüttel, Germany	100.0	0.0	(0.9)	1
Covestro Darmstadt GmbH	Darmstadt, Germany	100.0	89.9	1.0	1
Covestro Deutschland AG	Leverkusen, Germany	100.0	1,782.5	589.1	1
Covestro Elastomers SAS	Romans-sur-Isère, France	100.0	61.4	2.0	1
Covestro First Real Estate GmbH	Monheim am Rhein, Germany	100.0	22.2	19.2	1
Covestro GmbH	Leverkusen, Germany	100.0	5.3	2.8	1
Covestro International SA	Fribourg, Switzerland	100.0	168.0	110.2	1
Covestro NV	Antwerp, Belgium	100.0	202.5	20.8	1
Covestro Oldenburg GmbH & Co. KG	Oldenburg, Germany	100.0	11.6	5.3	1

<sup>1</sup> Provisional result<sup>3</sup> 2015 figures<sup>2</sup> Profit and loss transfer agreement<sup>4</sup> Pre-consolidated

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Company name	Place of business	Bayer's interest	Equity	Net income/loss	Footnotes
		%	€ million	€ million	
Covestro Polyurethanes B. V.	Nieuwegein, Netherlands	100.0	35.8	12.8	1
Covestro S. p. A.	Milan, Italy	99.0	9.4	1.7	1
Covestro S. r. l.	Milan, Italy	100.0	76.6	11.3	1
Covestro Second Real Estate GmbH	Monheim am Rhein, Germany	100.0	14.0	10.6	1
Covestro UK Limited	Cheadle, U.K.	100.0	5.2	1.0	1
Covestro Verwaltungs GmbH Oldenburg	Oldenburg, Germany	100.0	0.0	0.0	1
Covestro, S.L.	Barcelona, Spain	100.0	42.2	10.0	1
CropScience NewCo Germany GmbH	Monheim am Rhein, Germany	100.0	0.0	0.0	
Currenta Geschäftsführungs-GmbH	Leverkusen, Germany	100.0	0.0	0.0	
Currenta GmbH & Co. OHG	Leverkusen, Germany	60.0	127.2	121.1	1
DCSO Deutsche Cyber-Sicherheitsorganisation GmbH	Berlin, Germany	25.0	(2.4)	(5.1)	1
Disalfarm, S. A.	Barcelona, Spain	33.3	4.3	0.2	1
Dritte Bayer Real Estate VV GmbH & Co. KG	Schönefeld, Germany	100.0	156.4	9.2	1
Ehrfeld Mikrotechnik BTS GmbH	Wendelsheim, Germany	100.0	0.0	0.0	1, 2
Epurex Films Geschäftsführungs-GmbH	Bomlitz, Germany	100.0	0.1	0.0	1
Epurex Films GmbH & Co. KG	Bomlitz, Germany	100.0	14.5	7.6	1
Erste Bayer Real Estate VV GmbH & Co. KG	Schönefeld, Germany	100.0	69.4	7.6	1
Erste K-W-A Beteiligungsgesellschaft mbH	Leverkusen, Germany	100.0	80.7	0.0	1, 2
EuroServices Bayer, S. L.	Sant Joan Despi, Spain	100.0	10.1	0.7	1
Fünfte Bayer Real Estate VV GmbH & Co. KG	Schönefeld, Germany	100.0	239.4	12.6	1
GP Grenzach Produktions GmbH	Grenzach-Wyhlen, Germany	100.0	25.0	0.0	1, 2
Healthbox Europe 1 LP	London, U.K.	37.0	1.6	1.0	3
Hild Samen GmbH	Marbach am Neckar, Germany	100.0	4.8	0.0	1, 2
Intendis Derma, S. L.	Sant Joan Despi, Spain	100.0	0.0	0.0	1
Intendis GmbH	Berlin, Germany	100.0	79.8	58.9	1

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Company name	Place of business	Bayer's interest	Equity	Net income / loss	Footnotes
		%	€ million	€ million	
Intraserv GmbH & Co. KG	Schönefeld, Germany	100.0	28.3	25.1	1
Intraserv Verwaltungs-GmbH	Schönefeld, Germany	100.0	0.0	0.0	1
INVITE GmbH	Cologne, Germany	50.0	4.9	0.2	1
Jenapharm GmbH & Co. KG	Jena, Germany	100.0	69.3	48.3	1
KOSINUS Grundstücks-Verwaltungsgesellschaft mbH	Schönefeld, Germany	100.0	0.0	0.0	1
KOSINUS Grundstücks-Verwaltungsgesellschaft mbH & Co. Gamma OHG	Schönefeld, Germany	100.0	31.4	1.4	1
KVP Pharma+Veterinär Produkte GmbH	Kiel, Germany	100.0	39.1	7.8	1
Lilienthalstraße Nr. 4 GmbH	Schönefeld, Germany	100.0	0.0	0.0	1
Lusal Produção Químico Farmacêutica Luso-Alema, Lda.	Carnaxide, Portugal	100.0	0.0	0.0	
LyondellBasell Covestro Manufacturing Maasvlakte V.O.F	Rotterdam, Netherlands	50.0	33.1	(1.5)	1
MENADIER Heilmittel GmbH	Berlin, Germany	100.0	79.8	0.0	1, 2
MS Global AG	Köniz, Switzerland	100.0	4.0	1.4	1
MS Holding B. V.	Nieuwegein, Netherlands	100.0	1,158.6	229.5	1
Neunte Bayer VV GmbH	Leverkusen, Deutschland	100.0	0.0	0.0	1, 2
Nunhems B. V.	Haelen, Netherlands	100.0	848.3	9.4	1
Nunhems France S. A. R. L.	Beaucouzé, France	100.0	3.8	0.6	1
Nunhems Hungary Kft.	Budapest, Hungary	100.0	0.7	0.1	1
Nunhems Italy S. r. l.	St. Agata Bolognes, Italy	100.0	9.8	0.9	1
Nunhems Netherlands B. V.	Haelen, Netherlands	100.0	797.7	34.1	1
Nunhems Poland Sp. z o. o.	Warsaw, Poland	100.0	0.8	0.2	1
Nunhems Spain, S. A.	Valencia, Spain	100.0	15.0	5.2	1
OOO Covestro	Moscow, Russia	100.0	0.4	(3.9)	1
Pallas Versicherung AG	Leverkusen, Germany	100.0	42.4	0.7	1
Pandias Re AG	Luxembourg, Luxembourg	100.0	70.2	0.0	1
Sauerstoff- und Stickstoffrohrleitungsgesellschaft mbH	Krefeld, Germany	50.0	0.3	0.0	1

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Company name	Place of business	Bayer's interest	Equity	Net income/loss	Footnotes
		%	€ million	€ million	
SC Bayer SRL	Bucharest, Romania	100.0	15.8	2.2	1
Schering Agrochemicals Holdings	Newbury, U.K.	100.0	0.0	0.0	
Schering Health Care Limited	Newbury, U.K.	100.0	0.0	0.0	
Schering-Kahlbaum Gesellschaft mit beschränkter Haftung	Berlin, Germany	100.0	28.3	0.0	1, 2
Sechste Bayer Real Estate VV GmbH & Co. KG	Schönefeld, Germany	100.0	201.1	47.1	1
SIA Bayer	Riga, Latvia	100.0	0.3	0.0	1
Siebte Bayer VV GmbH	Leverkusen, Germany	100.0	0.0	0.0	1, 2
Silver Birch Trustees Limited	London, U.K.	100.0	0.0	0.0	
Steigerwald Arzneimittelwerk GmbH	Darmstadt, Germany	100.0	5.2	0.0	1, 2
TecArena+ GmbH	Leverkusen, Germany	100.0	0.3	0.0	1, 2
TECTRION GmbH	Leverkusen, Germany	100.0	7.0	0.0	2
Thermoplast Composite GmbH	Markt Bibart, Germany	100.0	15.5	(0.2)	1
TOO Bayer KAZ	Astana, Kazakhstan	100.0	12.3	6.6	1
TravelBoard GmbH	Leverkusen, Germany	100.0	0.4	0.0	1, 2
UAB Bayer	Vilnius, Lithuania	100.0	5.8	1.2	1
Vierte Bayer Real Estate VV GmbH & Co. KG	Schönefeld, Germany	100.0	76.8	1.1	1
Zweite Bayer Real Estate VV GmbH & Co. KG	Schönefeld, Germany	100.0	151.7	29.9	1
Zweite K-W-A Beteiligungsgesellschaft mbH	Leverkusen, Germany	100.0	4,591.1	0.0	1, 2
<b>North America</b>					
Bayer Corporation	Pittsburgh, U.S.A.	100.0	9,611.5	230.8	
with the following material subsidiaries:					
AgraQuest, Inc.	Davis, U.S.A.	100.0			4
Athenix Corp.	Research Triangle Park, U.S.A.	100.0			4
Bayer Business and Technology Services LLC	Pittsburgh, U.S.A.	100.0			4
Bayer Canadian Holdings Inc.	Toronto, Canada	100.0			4
Bayer CropScience LLC	Research Triangle Park, U.S.A.	100.0			4

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Company name	Place of business	Bayer's interest	Equity	Net income / loss	Footnotes
		%	€ million	€ million	
Bayer CropScience LP	Research Triangle Park, U.S.A.	100.0			4
Bayer Essure Inc.	Milpitas, U.S.A.	100.0			4
Bayer HealthCare Animal Health Inc.	St. Joseph, U.S.A.	100.0			4
Bayer HealthCare Holdings LLC	Wilmington, U.S.A.	100.0			4
Bayer HealthCare LLC	Whippany, U.S.A.	100.0			4
Bayer HealthCare Pharmaceuticals Inc.	Whippany, U.S.A.	100.0			4
Bayer HealthCare Pharmaceuticals LLC	Berkeley, U.S.A.	100.0			4
Bayer Medical Care Inc.	Indianola, U.S.A.	100.0			4
Bayer Puerto Rico Inc.	Guaynabo, Puerto Rico	100.0			4
Bayer R&I B. V.	Maastricht, Netherlands	100.0			4
Bayer West Coast Corporation	Berkeley, U.S.A.	100.0			4
Collateral Therapeutics, Inc.	Richmond, U.S.A.	100.0			4
Conceptus SAS	Versailles, France	100.0			4
Cooper Land Company of New Jersey, Inc.	Whippany, U.S.A.	100.0			4
Hornbeck Seed Company, Inc.	Research Triangle Park, U.S.A.	100.0			4
Imaxeon Pty. Ltd.	Rydalmere, Australia	100.0			4
Mediwest Norway AS	Oslo, Norway	100.0			4
Medrad Asia Pte. Ltd.	Singapore	100.0			4
Medrad China B. V.	Mijdrecht, Netherlands	100.0			4
Medrad Denmark ApS	Copenhagen, Denmark	100.0			4
Medrad Europe B. V.	Mijdrecht, Netherlands	100.0			4
Medrad France B. V.	Mijdrecht, Netherlands	100.0			4
Medrad Italia S. r. l.	Milan, Italy	100.0			4
MEDRAD Medical Equipment Trading Company-Beijing	Beijing, China	100.0			4
Medrad Sweden AB	Västra Frölunda, Sweden	100.0			4
Medrad UK Limited	Newbury, U.K.	100.0			4
Nihon Medrad K. K.	Osaka, Japan	100.0			4
NippoNex Holdings LLC	Tarrytown, U.S.A.	100.0			4

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Company name	Place of business	Bayer's interest	Equity	Net income/loss	Footnotes
		%	€ million	€ million	
NippoNex Inc.	Whippany, U.S.A.	100.0			4
NOR-AM Agro LLC	Whippany, U.S.A.	100.0			4
Schering Berlin Inc.	Whippany, U.S.A.	100.0			4
Schering-Plough del Caribe, Inc.	Whippany, U.S.A.	100.0			4
STWB Inc.	Pittsburgh, U.S.A.	100.0			4
Bayer Consumer Care Holdings LLC	Whippany, U.S.A.	100.0	6,213.7	(34.5)	
Bayer CropScience Holding Inc.	Research Triangle Park, U.S.A.	100.0	15.1	(0.1)	
Bayer CropScience Holdings Inc.	Calgary, Canada	100.0	284.1	14.7	1
Bayer CropScience Inc.	Calgary, Canada	100.0	142.2	101.8	1
Bayer CropScience Inc.	Research Triangle Park, U.S.A.	100.0	1,348.8	22.1	
Bayer East Coast LLC	Whippany, U.S.A.	100.0	9,463.5	255.0	
Bayer HealthCare US Funding II LLC	Pittsburgh, U.S.A.	100.0	1,371.4	6.7	
Bayer HealthCare US Funding LLC	Pittsburgh, U.S.A.	100.0	2,971.5	201.0	
Bayer I4 Acquisition Corporation	Berkeley, U.S.A.	100.0	0.0	0.0	
Bayer Inc.	Mississauga, Canada	100.0	670.1	25.5	1
Bayer International Trade Services Corporation	Weirton, U.S.A.	100.0	13.0	151.0	
Bayer Overseas Trade Services Corporation	Weirton, U.S.A.	100.0	7.7	10.3	
Bayer US Finance II LLC	Wilmington, U.S.A.	100.0	0.0	0.0	
Bayer US Finance LLC	Pittsburgh, U.S.A.	100.0	(2.2)	(0.4)	
Bayer US Holding II LP	Wilmington, U.S.A.	100.0	0.0	0.0	
Bayer US Holding LP	Wilmington, U.S.A.	100.0	1,895.3	37.7	
Berlex Canada, Inc.	Toronto, Canada	100.0	0.0	0.0	
BlueRock Therapeutics GP LLC	San Francisco, U.S.A.	50.0	0.0	0.0	
BlueRock Therapeutics LP	San Francisco, U.S.A.	50.0	50.9	(2.5)	1
Casebia Therapeutics LLC	Wilmington, U.S.A.	100.0	4.6	(69.3)	1

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Company name	Place of business	Bayer's interest	Equity	Net income / loss	Footnotes
		%	€ million	€ million	
Coppertone LLC	Pittsburgh, U.S.A.	100.0	279.7	48.1	
Covestro International Trade Services Corp.	Wilmington, U.S.A.	100.0	42.7	40.7	1
Covestro LLC	Pittsburgh, U.S.A.	100.0	1,224.8	245.2	1
Covestro PO LLC	New Martinsville, U.S.A.	100.0	326.6	72.2	1
Delinting and Seed Treating Company	Research Triangle Park, U.S.A.	100.0	0.0	0.0	
Dr. Scholl's LLC	Whippany, U.S.A.	100.0	685.6	102.2	
Finistere Ventures II, L. P.	San Diego, U.S.A.	27.0	16.6	(1.5)	1
Flagship Ventures V Agricultural Fund, L. P.	Cambridge, U.S.A.	99.9	8.6	(1.0)	1
KWA Investment Co.	Wilmington, U.S.A.	100.0	0.0	0.0	
MiraLAX, LLC	Whippany, U.S.A.	100.0	481.6	62.6	
Nunhems USA, Inc.	Parma, U.S.A.	100.0	53.7	38.0	1
PO JV, LP	Wilmington, U.S.A.	39.4	467.3	(53.5)	1
Radicle Seed, LLC	San Diego, U.S.A.	33.3	0.5	0.0	1
Technology JV, L. P.	Wilmington, U.S.A.	33.3	295.3	0.0	1
The SDI Divestiture Corporation	Pittsburgh, U.S.A.	100.0	0.0	0.0	
Triangle AGTech LLC	Wilmington, U.S.A.	20.0	2.8	0.0	1
<b>Asia / Pacific</b>					
Bayer (Cambodia) Co., Ltd.	Phnom Penh, Cambodia	100.0	0.5	0.2	1
Bayer (China) Limited	Shanghai, China	100.0	858.7	185.2	1
Bayer (Malaysia) Sdn. Bhd.	Petaling Jaya, Malaysia	100.0	1.6	0.0	1
Bayer (Sichuan) Animal Health Co., Ltd.	Chengdu, China	100.0	17.9	7.3	1
Bayer (South East Asia) Pte Ltd	Singapore	100.0	113.3	19.0	
Bayer Australia Limited	Pymble, Australia	100.0	100.9	22.8	1
Bayer BioScience Pvt. Ltd	Hyderabad, India	100.0	59.7	16.8	

<sup>1</sup> Provisional result<sup>2</sup> Profit and loss transfer agreement<sup>3</sup> 2015 figures<sup>4</sup> Pre-consolidated

**Overview of Interests**

Company name	Place of business	Bayer's interest	Equity	Net income/loss	Footnotes
		%	€ million	€ million	
Bayer Business Services Philippines, Inc.	Taguig City, Philippines	100.0	8.9	6.6	1
Bayer Co. (Malaysia) Sdn Bhd	Petaling Jaya, Malaysia	100.0	19.7	2.1	1
Bayer CropScience (China) Company Ltd.	Hangzhou, China	100.0	102.7	11.0	1
Bayer CropScience Holdings Pty Ltd	East Hawthorn, Australia	100.0	19.0	0.0	1
Bayer CropScience K. K.	Tokyo, Japan	100.0	276.3	10.6	1
Bayer CropScience Limited	Thane, India	68.5	245.5	38.9	
Bayer CropScience Ltd.	Dhaka, Bangladesh	60.0	(3.4)	(2.0)	1
Bayer CropScience Ltd.	Seoul, South Korea	100.0	49.9	8.8	1
Bayer CropScience Pty Limited	East Hawthorn, Australia	100.0	106.0	21.7	1
Bayer CropScience, Inc.	Laguna, Philippines	100.0	11.6	0.8	1
Bayer Healthcare (Shanghai) Co., Ltd.	Shanghai, China	100.0	(36.2)	(32.1)	1
Bayer Healthcare Co., Ltd.	Beijing, China	100.0	515.6	94.6	1
Bayer HealthCare Limited	Hong Kong, China	100.0	16.5	2.6	1
Bayer Holding (Thailand) Co., Ltd.	Bangkok, Thailand	100.0	279.8	273.1	1
Bayer Holding Ltd.	Tokyo, Japan	100.0	749.2	77.5	1
Bayer Korea Ltd.	Seoul, South Korea	100.0	81.3	4.4	1
Bayer New Zealand Limited	Auckland, New Zealand	100.0	3.5	(7.9)	1
Bayer Pakistan (Private) Limited	Karachi, Pakistan	100.0	5.5	(2.7)	1
Bayer Pharmaceuticals Private Limited	Thane, India	100.0	7.3	1.0	
Bayer Philippines, Inc.	Laguna, Philippines	100.0	40.6	(2.6)	1
Bayer Seeds Private Limited	Hyderabad, India	100.0	93.3	0.4	1
Bayer Taiwan Company Ltd.	Taipei, Taiwan	100.0	22.3	3.2	1
Bayer Technology and Engineering (Shanghai) Company Limited	Shanghai, China	100.0	51.0	(3.8)	1
Bayer Thai Co., Ltd.	Bangkok, Thailand	100.0	223.8	6.5	1
Bayer Vapi Private Limited	Vapi, India	100.0	241.0	15.3	
Bayer Vietnam Ltd.	Bien Hoa City, Vietnam	100.0	34.5	9.4	1
Bayer Yakuhin, Ltd.	Osaka, Japan	100.0	350.6	165.9	1
Bayer Zydus Pharma Private Limited	Mumbai, India	50.0	9.6	2.6	
Chemdyes Pakistan (Private) Limited	Karachi, Pakistan	100.0	0.4	0.0	1

<sup>1</sup> Provisional result<sup>2</sup> Profit and loss transfer agreement<sup>3</sup> 2015 figures<sup>4</sup> Pre-consolidated

## 41. Overview of interests

## Overview of Interests

Company name	Place of business	Bayer's interest	Equity	Net income / loss	Footnotes
		%	€ million	€ million	
Cotton Growers Services Pty. Limited	Wee Waa, Australia	50.0	7.1	0.2	1
Covestro (Hong Kong) Limited	Hong Kong, China	100.0	121.4	37.2	1
Covestro (India) Private Limited	Thane, India	100.0	43.1	0.2	
Covestro (Shanghai) Management Co., Ltd.	Shanghai, China	100.0	17.1	3.1	1
Covestro (Taiwan) Ltd.	Kaohsiung, Taiwan	95.5	41.9	7.2	1
Covestro (Thailand) Co., Ltd.	Bangkok, Thailand	100.0	197.8	83.8	1
Covestro (Viet Nam) Company Limited	Ho Chi Minh City, Vietnam	100.0	0.8	0.5	1
Covestro Far East (Hong Kong) Limited	Hong Kong, China	100.0	0.1	0.0	1
Covestro Japan Ltd.	Tokyo, Japan	100.0	4.4	2.7	1
Covestro Korea Corporation	Seoul, South Korea	100.0	0.0	(2.0)	1
Covestro Polymers (China) Co., Ltd.	Shanghai, China	100.0	998.3	122.4	1
Covestro Polymers (Qingdao) Co., Ltd.	Qingdao, China	100.0	5.7	(1.9)	1
Covestro Polymers (Shenzhen) Co., Ltd.	Shenzhen, China	100.0	16.0	1.2	1
Covestro Polymers (Tianjin) Co., Ltd.	Tianjin, China	100.0	2.7	0.0	1
Covestro Pty Ltd	Cheltenham, Australia	100.0	1.4	1.0	
DIC Covestro Polymer Ltd.	Tokyo, Japan	50.0	19.2	6.3	1
Dihon Pharmaceutical Group Co., Ltd.	Kunming, China	100.0	22.4	(16.1)	1
Guangzhou Covestro Polymers Co., Ltd.	Guangzhou, China	100.0	19.4	0.7	1
Kunming Dihon Pharmaceutical Sales Co., Ltd.	Kunming, China	100.0	(19.3)	1.0	1
Medipharma (Pvt) Ltd.	Karachi, Pakistan	100.0	10.8	2.4	1
Myanmar Aventis CropScience Ltd.	Yangon, Myanmar	100.0	0.0	0.0	1
Nunhems Beijing Seeds Co., Ltd.	Beijing, China	80.0	8.2	0.5	1
PT Covestro Polymers Indonesia	Jakarta, Indonesia	99.9	48.0	3.4	1
PT. Bayer Indonesia	Jakarta, Indonesia	99.8	137.2	10.4	1
Shanghai Baulé Polyurethane Technology Co., Ltd.	Shanghai, China	100.0	0.6	0.0	1
Shanghai Dihon Pharmaceutical Co., Ltd.	Shanghai, China	100.0	5.1	(4.3)	1
Shanghai Kangwang Cosmetics Co., Ltd.	Shanghai, China	100.0	(2.6)	(0.2)	1
Sichuan Dihon Pharmaceutical Development Co., Ltd.	Chengdu, China	100.0	(0.2)	0.3	1

<sup>1</sup> Provisional result<sup>3</sup> 2015 figures<sup>2</sup> Profit and loss transfer agreement<sup>4</sup> Pre-consolidated

**Overview of Interests**

Company name	Place of business	Bayer's interest	Equity	Net income/loss	Footnotes
		%	€ million	€ million	
Sumika Covestro Urethane Company, Ltd.	Amagasaki, Japan	60.0	23.6	20.8	1
<b>Latin America / Africa / Middle East</b>					
Bayer (Proprietary) Limited	Isando, South Africa	100.0	163.9	16.2	1
Bayer Algerie S. P. A.	Algiers, Algeria	100.0	0.7	0.1	1
Bayer Boliviana Ltda	Santa Cruz de la Sierra, Bolivia	100.0	8.2	0.3	1
Bayer CropScience (Ethiopia) plc	Addis Ababa, Ethiopia	100.0	0.1	(0.3)	1
Bayer de México, S. A. de C. V.	Mexico City, Mexico	100.0	175.0	34.3	1
Bayer Distribuidora de Produtos Químicos e Farmacêuticos Ltda.	São Paulo, Brazil	100.0	0.1	0.0	1
Bayer East Africa Ltd.	Nairobi, Kenya	55.0	10.3	0.3	1
Bayer Finance & Portfolio Management S. A.	Santiago de Chile, Chile	100.0	36.2	0.8	1
Bayer Finance Ltda.	Santiago de Chile, Chile	100.0	10.0	0.4	1
Bayer Israel Ltd.	Hod Hasharon, Israel	100.0	7.1	1.1	1
Bayer Life Science Tanzania Ltd.	Dar es Salaam, Tanzania	100.0	0.4	0.0	1
Bayer Limited Egypt	Cairo, Egypt	100.0	3.0	2.4	1
Bayer Medical S. R. L.	Heredia, Costa Rica	100.0	4.7	(2.7)	
Bayer Middle Africa Ltd.	Lagos, Nigeria	100.0	0.5	0.4	1
Bayer Middle East FZE	Dubai, United Arab Emirates	100.0	46.2	18.9	1
Bayer Middle East Limited Liability Company	Dubai, United Arab Emirates	49.0	0.1	0.0	
Bayer Parsian AG	Teheran, Iran	100.0	7.3	0.7	1
Bayer Pearl Polyurethane Systems FZCO	Dubai, United Arab Emirates	51.0	23.8	6.3	1
Bayer Pearl Polyurethane Systems LLC	Dubai, United Arab Emirates	49.0	0.2	0.0	1
Bayer S. A.	Asunción, Paraguay	100.0	14.2	(1.0)	1
Bayer S. A.	Bogotá, Colombia	100.0	147.4	14.9	1
Bayer S. A.	Buenos Aires, Argentina	100.0	137.7	12.9	1

<sup>1</sup> Provisional result<sup>2</sup> Profit and loss transfer agreement<sup>3</sup> 2015 figures<sup>4</sup> Pre-consolidated

## 41. Overview of interests

**Overview of Interests**

Company name	Place of business	Bayer's interest	Equity	Net income / loss	Footnotes
		%	€ million	€ million	
Bayer S. A.	Caracas, Venezuela	100.0	3.2	(2.6)	1
Bayer S. A.	Casablanca, Morocco	100.0	31.0	1.8	1
Bayer S. A.	El Dorado, Panama	100.0	46.4	11.9	1
Bayer S. A.	Guatemala City, Guatemala	100.0	112.9	14.4	1
Bayer S. A.	Lima, Peru	96.5	91.7	7.6	1
Bayer S. A.	Managua, Nicaragua	100.0	8.2	0.1	1
Bayer S. A.	Quito, Ecuador	100.0	35.5	4.5	1
Bayer S. A.	San José, Costa Rica	100.0	38.8	7.2	
Bayer S. A.	Santiago de Chile, Chile	100.0	45.2	(1.4)	1
Bayer S. A.	Santo Domingo, Dom. Republic	100.0	19.4	2.8	1
Bayer S. A.	São Paulo, Brazil	100.0	806.0	(80.3)	1
Bayer S. A. de C. V.	Tegucigalpa, Honduras	100.0	12.9	1.6	1
Bayer SA	Montevideo, Uruguay	100.0	7.2	2.2	1
Bayer Saudi Arabia LLC	Jeddah, Saudi Arabia	75.0	6.9	0.1	1
Bayer Schering Pharma Mocambique, Lda	Maputo, Mozambique	100.0	0.0	0.0	
Bayer Trendlines AG Innovation Fund, Limited Partnership	Misgav, Israel	100.0	0.0	0.0	
Bayer Türk Kimya Sanayii Limited Sirketi	Istanbul, Turkey	100.0	105.2	21.9	1
Bayer West-Central Africa S. A.	Abidjan, Ivory Coast	100.0	0.3	(0.4)	1
Bayer Zimbabwe (Private) Limited	Harare, Zimbabwe	100.0	0.6	(0.2)	1
Bayer, S. A.	San Salvador, El Salvador	100.0	11.2	2.9	1
Biagro do Brasil Ltda.	Cambe, Brazil	100.0	1.1	0.7	1
Biagro S. A.	Ushuaia, Argentina	100.0	(0.8)	(0.5)	1
Comercial Interamericana, S. A.	Guatemala City, Guatemala	100.0	0.0	0.0	1
Corporación Bonima S. A. de C. V.	Ilopango, El Salvador	99.6	21.4	1.1	1
Covestro Indústria e Comércio de Polímeros Ltda.	São Paulo, Brazil	100.0	11.1	(4.6)	1
Covestro Polimer Anonim Sirketi	Istanbul, Turkey	100.0	0.1	0.1	1

<sup>1</sup> Provisional result<sup>3</sup> 2015 figures<sup>2</sup> Profit and loss transfer agreement<sup>4</sup> Pre-consolidated

**Overview of Interests**

Company name	Place of business	Bayer's interest	Equity	Net income/loss	Footnotes
		%	€ million	€ million	
Covestro S.A. de C. V.	Mexico City, Mexico	100.0	64.8	10.0	1
Farmaco Ltda.	São Paulo, Brazil	100.0	0.0	0.0	1
FN Semillas S. A.	Buenos Aires, Argentina	100.0	(1.9)	(2.9)	1
Holding Manager S. A.	Buenos Aires, Argentina	100.0	(0.2)	(1.7)	1
Laboratorios Biagro S. A.	Buenos Aires, Argentina	100.0	(6.2)	(5.4)	1
Miles, S. A. Guatemala Branch	Guatemala City, Guatemala	100.0	0.0	0.0	1
Nunhems Chile S. A.	Santiago de Chile, Chile	100.0	4.9	(0.1)	1
Nunhems do Brasil Comercio de Sementes Ltda	Campinas, Brazil	100.0	3.1	0.5	1
Nunhems Mexico S. A. de C. V.	León, Mexico	100.0	8.4	2.2	1
Nunhems Tohumculuk Anonim Sirketi	Antalya, Turkey	100.0	16.9	3.3	1
Paltough Industries – 1998 Ltd.	Kibbutz Ramat Yochanan, Israel	25.0	88.5	5.0	
Productos Químicos Naturales, S. A. de C. V.	Orizaba, Mexico	100.0	14.7	3.4	1
Químicas Unidas S. A.	Havana, Cuba	100.0	0.0	0.0	
Schering do Brasil Química e Farmacêutica Ltda.	São Paulo, Brazil	100.0	55.6	(14.3)	1
Schering Peruana S. A.	Lima, Peru	100.0	0.0	0.0	

<sup>1</sup> Provisional result<sup>3</sup> 2015 figures<sup>2</sup> Profit and loss transfer agreement<sup>4</sup> Pre-consolidated

In addition, Bayer AG directly or indirectly holds more than 5% of the voting rights in the following major companies, which are not included in the above list (disclosure pursuant to Section 285, No. 11b HGB).

**Other Interests in Large Limited Liability Companies**

Company name	Place of business	Bayer's interest
		in %
Hokusan Co. Ltd.	Kitahiroshima, Japan	19.8
Instituto Rosenbusch S.A.	Buenos Aires, Argentina	10.1
PharmLog Pharma Logistik GmbH	Boenen, Germany	16.7

Bayer AG is a partner with unlimited liability in Currenta GmbH & Co. OHG, Leverkusen, Germany (disclosure pursuant to Section 285, No. 11a HGB).

## 42. Proposal for the use of the distributable profit

The distributable profit of Bayer AG was €2,233 million in 2016. We propose that this amount be used to pay a dividend of €2.70 per no-par share (826,947,808 shares) on the capital stock of €2,117 million entitled to the dividend for 2016.

## 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 14, 2017  
Bayer Aktiengesellschaft

The Board of Management



Werner Baumann



Liam Condon



Johannes Dietsch



Dr. Hartmut Klusik



Kemal Malik



Erica Mann



Dieter Weinand

# Auditor's Report

We have audited the annual financial statements, comprising the statement of financial position, the income statement and the notes to the financial statements, together with the bookkeeping system and the management report of Bayer AG, which is combined with the management report of the Bayer Group, for the business year from January 1, 2016 to December 31, 2016. The maintenance of the books and records and the preparation of the annual financial statements and combined management report in accordance with German commercial law are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 317 HGB ("Handelsgesetzbuch": "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in determining the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the combined management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the annual financial statements and combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the legal requirements and give 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. The combined management report is consistent with the annual financial statements, complies with the legal provisions and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Essen, February 15, 2017

PricewaterhouseCoopers  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels  
Wirtschaftsprüfer

Eckhard Sprinkmeier  
Wirtschaftsprüfer



# 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, 2016, 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:

- E.ON SE (Chairman)  
(until June 2016)
- Henkel Management AG
- Siemens AG (Vice Chairman)

Memberships in comparable supervising bodies of German or foreign corporations:

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

Attendance at Supervisory Board and committee meetings: 19 of 19

### 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

Memberships on other supervisory boards:

- Bayer Pharma AG  
(until January 2017)

Attendance at Supervisory Board and committee meetings: 10 of 12

### 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  
(Member of the Shareholders' Committee)

Attendance at Supervisory Board and committee meetings: 13 of 13

### 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
- Heraeus Holding GmbH

Memberships in comparable supervising bodies of German or foreign corporations:

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

Attendance at Supervisory Board meetings: 5 of 5

### Dr. Clemens Börsig

Frankfurt am Main, Germany  
(born July 27, 1948)

Member of the Supervisory Board effective April 2007

Member of various supervisory boards

Memberships on other supervisory boards:

- Daimler AG
- Linde AG

Memberships in comparable supervising bodies of German or foreign corporations:

- Emerson Electric Co.
- Istituto per le Opere di Religione (Member of the Board of Superintendence)  
(until May 2016)

Attendance at Supervisory Board meetings: 5 of 5

### André van Broich

Dormagen, Germany  
(born June 19, 1970)

Member of the Supervisory Board effective April 2012

Chairman of the Works Council of the Dormagen site

Memberships on other supervisory boards:

- Bayer CropScience AG  
(until January 2017)

Attendance at Supervisory Board and committee meetings: 7 of 7

**Thomas Ebeling**

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

Member of the Supervisory Board effective April 2012

Chief Executive Officer of ProSiebenSat.1 Media SE

Memberships in comparable supervising bodies of German or foreign corporations:

- Lonza Group AG

Attendance at Supervisory Board meetings: 5 of 5

**Johanna W. (Hanneke) Faber**

Amstelveen, Netherlands  
(born April 19, 1969)

Member of the Supervisory Board effective April 2016

Chief E-Commerce and Innovation Officer and Member of the Executive Committee of Koninklijke Ahold Delhaize N.V.

Attendance at Supervisory Board meetings: 3 of 3

**Dr.-Ing. Thomas Fischer**

Krefeld, Germany  
(born August 27, 1955)

Member of the Supervisory Board effective October 2005

Chairman of the Managerial Employees Committee of Covestro Deutschland AG

Memberships on other supervisory boards:

- Covestro AG
- Covestro Deutschland AG

Attendance at Supervisory Board and committee meetings: 9 of 9

**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: 5 of 5

**Yüksel Karaaslan**

Hohen Neuendorf, Germany  
(born March 1, 1968)

Member of the Supervisory Board effective April 2012

Chairman of the Bayer Group Works Council

Vice Chairman of the Bayer Central Works Council

Chairman of the Works Council of the Berlin site

Memberships on other supervisory boards:

- Bayer Pharma AG (Vice Chairman) (until January 2017)

Attendance at Supervisory Board and committee meetings: 8 of 8

**Petra Kronen**

Krefeld, Germany  
(born August 22, 1964)

Member of the Supervisory Board effective July 2000

Chairwoman of the Central Works Council of Covestro

Chairwoman of the Works Council of Covestro of the Uerdingen site

Memberships on other supervisory boards:

- Covestro AG (Vice Chairwoman)
- Covestro Deutschland AG (Vice Chairwoman)

Attendance at Supervisory Board and committee meetings: 7 of 8

**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:

- IRR-Innovationsregion Rheinisches Revier GmbH
- Evonik Industries AG

Attendance at Supervisory Board and committee meetings: 8 of 8

**Dr. rer. nat. Helmut Panke**

Munich, Germany  
(born August 31, 1946)

Member of the Supervisory Board until April 2016

Member of various supervisory boards

Memberships in comparable supervising bodies of German or foreign corporations:

- Microsoft Corporation
- Singapore Airlines Limited

Attendance at Supervisory Board and committee meetings: 4 of 4

**Prof. Dr. Wolfgang Plischke**

Aschau im Chiemgau, Germany  
(born September 15, 1951)

Member of the Supervisory Board effective April 2016

Independent consultant

Memberships in comparable supervising bodies of German or foreign corporations:

- Evotec AG (Chairman)

Attendance at Supervisory Board and committee meetings: 6 of 6

**Sue H. Rataj**

Sebastopol, U.S.A.  
(born January 8, 1957)

Member of the Supervisory Board effective April 2012

Member of the Board of Directors of Cabot Corporation, Boston, U.S.A.

Member of the Board of Directors of Agilent Technologies Inc., Santa Clara, U.S.A.

Attendance at Supervisory Board meetings: 5 of 5

**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 (formerly Vattenfall Europe Mining AG) (Vice Chairwoman)
- Lausitz Energie Kraftwerk AG (formerly Vattenfall Europe Generation AG)

Memberships in comparable supervising bodies of German or foreign corporations:

- MDSE Mitteldeutsche Sanierungs- und Entsorgungsgesellschaft mbH (until August 2016)

Attendance at Supervisory Board and committee meetings: 8 of 8

**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: 4 of 5

**Dr. Klaus Sturany\***

Ascona, Switzerland  
(born October 23, 1946)

Member of the Supervisory Board effective April 2007

Member of various supervisory boards

Memberships on other supervisory boards:

- Hannover Rück SE (Vice Chairman)

Memberships in comparable supervising bodies of German or foreign corporations:

- Sulzer AG (until April 2016)

Attendance at Supervisory Board and committee meetings: 9 of 9

**Heinz Georg Webers**

Bergkamen, Germany  
(born December 27, 1959)

Member of the Supervisory Board effective July 2015

Chairman of the Bayer European Forum

Chairman of the Works Council of the Bergkamen site

Memberships on other supervisory boards:

- Bayer Pharma AG (until January 2017)

Attendance at Supervisory Board meetings: 5 of 5

**Prof. Dr. Dr. h.c. Otmar D. Wiestler**

Berlin, Germany  
(born November 6, 1956)

Member of the Supervisory Board effective October 2014

President of the Helmholtz Association of German Research Centres

Attendance at Supervisory Board and committee meetings: 7 of 7

**Prof. Dr. Dr. h.c. mult. Ernst-Ludwig Winnacker**

Munich, Germany  
(born July 26, 1941)

Member of the Supervisory Board until April 2016

Professor-Emeritus of Ludwig-Maximilians University Munich

Memberships on other supervisory boards:

- Medigene AG (until August 2016)
- Wacker Chemie AG

Attendance at Supervisory Board and committee meetings: 3 of 3

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### Standing committees of the Supervisory Board of Bayer AG (as at December 31, 2016)

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#### Presidial Committee / Mediation Committee

Wenning (Chairman),  
Achleitner, Reinbold-Knape,  
Zühlke

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#### Audit Committee

Sturany\* (Chairman),  
Fischer, Löllgen, Plischke,  
Wenning, Zühlke

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#### Human Resources Committee

Wenning (Chairman),  
Achleitner, Karaaslan, Kronen

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#### Nominations Committee

Wenning (Chairman),  
Achleitner

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#### Innovation Committee

Plischke (Chairman), van Broich,  
Reinbold-Knape, Wenning, Wiestler,  
Zühlke

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

## 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, 2016):

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#### Werner Baumann

(born October 6, 1962)

Chairman  
(effective May 2016)  
Member of the Board of Management effective January 1, 2010, appointed until April 30, 2021

- Bayer CropScience AG (Chairman) (until April 2016)
  - Bayer Pharma AG (until April 2016)
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#### Liam Condon

(born February 27, 1968)

Member of the Board of Management effective January 1, 2016, appointed until December 31, 2018

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#### Johannes Dietsch

(born January 2, 1962)

Member of the Board of Management effective September 1, 2014, appointed until August 31, 2017

- Bayer Business Services GmbH (Chairman)
  - Bayer CropScience AG (Chairman) (May 2016 until February 2017)
  - Covestro AG
  - Covestro Deutschland AG
- 

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#### Dr. Hartmut Klusik

(born July 30, 1956)

Member of the Board of Management effective January 1, 2016, appointed until December 31, 2018  
Labor Director

- Bayer HealthCare AG (Chairman) (until July 2016)
  - Bayer Pharma AG (Chairman) (until February 2017)
  - Bayer Technology Services GmbH (Chairman) (until July 2016)
  - Currenta Geschäftsführungs-GmbH (Chairman)
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#### Kemal Malik

(born September 29, 1962)

Member of the Board of Management effective February 1, 2014, appointed until January 31, 2022

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#### Erica Mann

(born October 11, 1958)

Member of the Board of Management effective January 1, 2016, appointed until December 31, 2018

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#### Dieter Weinand

(born August 16, 1960)

Member of the Board of Management effective January 1, 2016, appointed until December 31, 2018

- Board of Directors of HealthPrize Technologies LLC
- 

#### Chairman of the Board of Management until April 2016

#### Dr. Marijn Dekkers

(born September 22, 1957)

- Board of Directors of General Electric Company
  - Chairman of Unilever N.V.
-

# Financial Calendar

Q1 2017 Interim Report	<b>April 27, 2017</b>
Annual Stockholders' Meeting 2017	<b>April 28, 2017</b>
Planned dividend payment date	<b>May 4, 2017</b>
Q2 2017 Interim Report	<b>July 27, 2017</b>
Q3 2017 Interim Report	<b>October 26, 2017</b>
2017 Annual Report	<b>February 28, 2018</b>
Q1 2018 Interim Report	<b>May 3, 2018</b>
Annual Stockholders' Meeting 2018	<b>May 25, 2018</b>

## Masthead

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customers, clients or suppliers) may be greater than expected following the announcement of the transaction; the retention of certain key employees at Monsanto; risks associated with the disruption of management's attention from ongoing business operations due to the transaction; the conditions to the completion of the transaction may not be satisfied, or the regulatory approvals required for the transaction may not be obtained on the terms expected or on the anticipated schedule; the parties' ability to meet expectations regarding the timing, completion and accounting and tax treatments of the merger; the impact of indebtedness incurred by Bayer in connection with the transaction and the potential impact on the rating of indebtedness of Bayer; the effects of the business combination of Bayer and Monsanto, including the combined company's future financial condition, operating results, strategy and plans; other factors de-

tailed in Monsanto's Annual Report on Form 10-K filed with the SEC for the fiscal year ended August 31, 2016 and Monsanto's other filings with the SEC, which are available at <http://www.sec.gov> and on Monsanto's website at [www.monsanto.com](http://www.monsanto.com); and other factors discussed in Bayer's public reports which are available on the Bayer website at [www.bayer.com](http://www.bayer.com). Bayer and Monsanto assume no obligation to update the information in this communication, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.

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