



Science For A Better Life

FINANCIAL STATEMENTS 2008 OF BAYER REAL ESTATE GMBH, LEVERKUSEN

Bayer Real Estate GmbH,
Leverkusen
Income statement for the fiscal year
January 1 - December 31, 2008

	<u>2008</u> €	<u>2007</u> €
Sales	78.406.506	18.249.181
Cost of sales	<u>76.660.636</u>	<u>17.121.789</u>
Gross profit	1.745.870	1.127.392
Selling expenses	1.186.290	373.479
General administration expenses	2.301.558	1.135.439
Other operating income	1.054.399	223.617
Other operating expenses	<u>2.486.399</u>	<u>197.578</u>
Operating result	-3.173.978	-355.487
Non-operating result	<u>965.586</u>	<u>1.028.819</u>
Income before income taxes	-2.208.392	673.332
Income taxes	0	1.029.827
Losses assumed/profits transferred under the profit and loss transfer agreement	<u>2.208.392</u>	<u>356.495</u>
Net income	<u>0</u>	<u>0</u>

Bayer Real Estate GmbH, Leverkusen
Balance sheet as of December 31, 2008

ASSETS

STOCKHOLDERS' EQUITY AND LIABILITIES

	<u>Dec. 31,</u> <u>2008</u> €	<u>Dec. 31,</u> <u>2007</u> €		<u>Dec. 31,</u> <u>2008</u> €	<u>Dec. 31,</u> <u>2007</u> €
<u>Noncurrent assets</u>			<u>Stockholders' equity</u>		
Intangible assets	50.894	1.848	Capital stock	1.534.000	1.534.000
Property, plant and equipment	5.659.682	2.199.620	Other retained earnings	5.467.984	5.467.984
Investments	<u>50.434</u>	<u>23.900</u>	Profit carried forward	41.635.420	41.635.420
	<u>5.761.010</u>	<u>2.225.368</u>	Balance sheet profit	<u>-</u>	<u>-</u>
	-----	-----		48.637.404	48.637.404
	-----	-----			
<u>Current assets</u>			<u>Provisions</u>		
Land held for sale and other inventories	61.428.076	17.689.954	Provisions for pensions and other post-employment benefits	10.197.823	2.722.064
Receivables and other assets			Provisions for taxes	-	1.029.827
Trade accounts receivable	3.188.706	2.207.008	Other provisions	<u>4.888.754</u>	<u>1.036.202</u>
Receivables from affiliated companies	41.982.969	32.483.487		<u>15.086.577</u>	<u>4.788.093</u>
Other assets	5.201.088	202.614		-----	-----
Cash and cash equivalents			<u>Other liabilities</u>		
Bank balances	<u>5.902</u>	<u>11.741</u>	Liabilities to banks	355	310
	<u>111.806.741</u>	<u>52.594.804</u>	Trade accounts payable	5.196.613	753.223
	-----	-----	Payables to affiliated companies	5.225.357	8.837
	-----	-----	Miscellaneous liabilities	<u>43.803.863</u>	<u>631.605</u>
<u>Deferred charges</u>	<u>383.446</u>	<u>-</u>		<u>54.226.188</u>	<u>1.393.975</u>
	<u>117.951.197</u>	<u>54.820.172</u>	<u>Deferred income</u>	<u>1.028</u>	<u>700</u>
	-----	-----		-----	-----
	-----	-----		<u>117.951.197</u>	<u>54.820.172</u>

Bayer Real Estate GmbH, Leverkusen
Balance sheet as of December 31, 2008

	<u>As of</u> <u>Jan. 1, 2008</u> €	<u>Additions</u> €	<u>Retirements</u> €	<u>As of</u> <u>Dec. 31, 2008</u> €	<u>Accumulated</u> <u>depreciation,</u> <u>amortization and</u> <u>write-downs</u> €	<u>Net carrying amount</u>	
						<u>Dec. 31, 2008</u> €	<u>Dec. 31, 2007</u> € k
Intangible assets							
Concessions, industrial property rights, similar rights and assets, and licenses thereunder	87.517	66.025	-	153.542	102.648	50.894	2
Property, plant and equipment							
Land with residential buildings	1.282.569	-	-	1.282.569	65.094	1.217.475	1.239
Land with industrial and other buildings	-	6.726.392	6.649.980	76.412	5.507	70.905	-
Undeveloped land	2.820.983	-	-	2.820.983	2.088.285	732.698	733
Land with third party hereditary building rights	33.316	-	-	33.316	-	33.316	33
Machinery and technical equipment	-	249.386	78.140	171.246	32.575	138.671	-
Furniture, fixtures and other equipment	939.399	3.547.296	723.369	3.763.326	1.099.088	2.664.238	194
Construction in progress	-	2.675.003	1.872.624	802.379	-	802.379	-
Total property, plant and equipment	5.076.267	13.198.077	9.324.113	8.950.231	3.290.549	5.659.682	2.199
Investments							
Other loans	23.900	26.534	-	50.434	-	50.434	24
Total noncurrent assets	5.187.684	13.290.636	9.324.113	9.154.207	3.393.197	5.761.010	2.225

Bayer Real Estate GmbH, Leverkusen
Balance sheet as of December 31, 2008

	<u>As of</u> <u>Jan. 1, 2008</u> €	<u>Additions</u> €	<u>Write-backs</u> €	<u>Retirements</u> €	<u>As of</u> <u>Dec. 31, 2008</u> €
Intangible assets					
Concessions, industrial property rights, similar rights and assets, and licenses thereunder	85.669	16.979	-	-	102.648
Property, plant and equipment					
Land with residential buildings	43.396	21.698	-	-	65.094
Land with industrial and other buildings	-	5.507	-	-	5.507
Undeveloped land	2.088.285	-	-	-	2.088.285
Machinery and technical equipment	-	32.575	-	-	32.575
Furniture, fixtures and other equipment	744.966	370.238	-	16.116	1.099.088
Total property, plant and equipment	2.876.647	430.018	-	16.116	3.290.549
Total noncurrent assets	2.962.316	446.997	-	16.116	3.393.197

Notes to the annual financial statements of Bayer Real Estate GmbH as of December 31, 2008

General

The valuation and accounting principles used for the annual financial statements of Bayer Real Estate GmbH, Leverkusen, Germany, comply with the commercial regulations for German limited liability companies (GmbH). As in the previous year, the ordinance issued by the Federal Ministry of Justice dated March 6, 1987 on the presentation of the annual financial statements of housing companies has been taken into account.

Certain balance sheet and income statement items are combined to enhance the clarity of presentation. These are stated separately and explained in the Notes.

Bayer Real Estate GmbH is included in the consolidated financial statements of its parent company, Bayer AG, Leverkusen, Germany, from which the consolidated financial statements may be obtained.

Bayer Real Estate GmbH altered its business structure in the fiscal year under review. In future its primary business activity will comprise the administration, management and controlling of the real estate owned by Bayer AG. Consequently, the 106 employees in the real estate unit at Currenta GmbH & Co. OHG, Leverkusen, Germany, which had previously been responsible for Bayer AG's real estate, were taken on by Bayer Real Estate GmbH effective August 1, 2008. A new rent contract was concluded with Bayer AG for its land and buildings effective August 1, 2008. At the same time Bayer Real Estate GmbH took over all existing rent contracts between Currenta GmbH & Co. OHG and Group companies as the landlord or lessor. The transfer of the real estate activities and the related substantial increase in business volume limits the comparability of the assets, capital structure and results of operations of Bayer Real Estate GmbH shown in the present financial statements and those for the previous year.

Recognition and valuation principles

Intangible assets that have been acquired are recognized at cost and amortized.

Property, plant and equipment is carried at the cost of acquisition or construction less depreciation for wear and tear.

Amounts added to property, plant and equipment on or after January 1, 2008 are depreciated using the straight-line method. Assets that were acquired up to December 31, 2007 are depreciated using the declining-balance method, where this is permitted under tax laws, at the maximum permissible depreciation rates.

Movable assets that can be utilized separately and are subject to depletion are written down in full in the year of acquisition if the cost of acquisition or construction does not exceed €150. Movable assets where the cost of acquisition or construction is between €150 and €1,000 are aggregated annually in a single item and depreciated over five years.

Write-downs are recognized for any declines in value which are expected to be permanent. Further, only depreciation and write-downs permitted for tax purposes are recognized.

Land held for sale and other inventories are recognized at their cost of acquisition or construction. Construction costs contain both the individual cost of construction and expenses for planning and construction supervision by the company.

Write-downs are made if the fair value is below the carrying amount. Utility charges not yet invoiced to tenants are included in inventories.

Receivables and other assets are carried at nominal value or at fair value if this is lower.

Provisions for pensions and other post-employment benefits are computed by the actuarial method based on biometric probability (Heubeck 2005 G reference tables). Until 2007 they were computed by the actuarial method that takes tax regulations into account, using a statutory discount rate of 6.00%. As from 2008, pension obligations are computed using the projected unit credit method. Expected future salary rises are assumed to be 3.00% p.a. and pension payments are expected to rise by 2.00% p.a. A discount rate of 4.75% is used. In our view, this results in a more accurate presentation of the company's financial obligation arising from pension commitments. The change in the valuation method impacted income by €2,368k.

The other provisions take account of all foreseeable risks and uncertain liabilities. Provisions are recognized for maintenance that has not been carried out if it is performed within the first three months of the following fiscal year. Provisions are established for taxes, uncertain liabilities, vacation entitlements and claims under guarantees in the amount expected to be utilized.

Liabilities are carried at nominal value or redemption cost, whichever is higher.

Advance payments received for utility charges that have not yet been invoiced are reflected in advance payments received.

Notes to the balance sheet

Noncurrent assets

A breakdown of assets and how they have changed is shown in the statement of changes in assets.

Land held for sale and other inventories

	Dec. 31, 2008	Dec. 31, 2007
	€	€k
Undeveloped land	11,287,282	14,033
Land with unfinished buildings	4,104,387	3,268
Construction work in progress	45,743,620	-
Land with finished buildings	-	296
Other work in progress		
Utility charges that have not yet been invoiced	260,741	78
Other inventories	32,046	15
	<u>61,428,076</u>	<u>17,690</u>

The construction work in progress comprises new construction work being undertaken by BRE (construction of an office and administration building, parking garage, and renewal of the media facade on Bayer's former headquarters building).

Trade accounts receivable

	Dec. 31, 2008	Dec. 31, 2007
	€	€ k
Receivables from the letting of property	2,961,728	37
Receivables from the sale of land	226,978	2,170
	<u>3,188,706</u>	<u>2,207</u>

All receivables are due in less than one year.

Receivables from affiliated companies

	Dec. 31, 2008	Dec. 31, 2007
	€	€ k
Bayer Industry Services GmbH, Leverkusen	-	47
Bayer Vital GmbH, Leverkusen	-	3
Bayer Technology Services GmbH, Leverkusen	-	176
Bayer HealthCare AG, Leverkusen	-	11
Bayer CropScience AG, Monheim	-	17
Bayer MaterialScience AG, Leverkusen	332,194	53
Bayer Schering Pharma AG, Berlin	-	3
Bayer Material Science Limited, Leverkusen	-	4
Bayer CropScience Deutschland GmbH, Monheim	-	1
Drugofa GmbH, Cologne	214	-
Euroservices Bayer GmbH, Leverkusen	90,895	-
Dynevo GmbH, Leverkusen	97,799	-
Bayer Business Services GmbH, Leverkusen	281,983	-
Bayer 04 Fussball GmbH, Leverkusen	491	-
Bayer Direct Services GmbH, Leverkusen	102,763	-
LYTTRON Technology GmbH, Leverkusen	202,725	-
Bayer Animal Health GmbH, Leverkusen	17,867	-
Bayer AG (stockholder), Leverkusen	40,856,038	32,168
	<u>41,982,969</u>	<u>32,483</u>

The receivables from affiliated companies comprise overnight funds (€35,466k), the assumption of losses (€2,208k) and trade accounts receivable (€4,309k).

Provisions for pensions and other post-employment benefits

Provisions for pensions comprise obligations for current pension payments and future pension entitlements. This item also contains post-employment benefits relating to early retirement.

Provisions for taxes

The provision for a corporate tax obligation relating to EK 02 taxes established in 2007 was utilized in 2008.

Other provisions

The other provisions contain amounts relating to outstanding invoices from suppliers, guarantees, obligations relating to long-service anniversaries, pre-retirement leave, vacation and flextime entitlements, the cost of preparing and auditing the annual financial statements, contributions to employers' liability insurance funds and provisions for other uncertain liabilities.

Payables to affiliated companies

	Dec. 31, 2008	Dec. 31, 2007
	€	€ k
Dynevo GmbH, Leverkusen	-	1
Bayer Business Services GmbH, Leverkusen	-	7
Bayer Gastronomie GmbH, Leverkusen	2,305,959	-
Chemion Logistik GmbH, Leverkusen	84,135	-
Bayer CropScience AG, Monheim	43,330	-
Bayer HealthCare AG, Leverkusen	263,304	-
Bayer Technology Services GmbH, Leverkusen	1,636,601	-
Currenta GmbH & Co. OHG, Leverkusen	58,759	-
Bayer Vital GmbH, Leverkusen	13,774	-
Jobactive GmbH, Leverkusen	14,019	-
Tectrion GmbH, Leverkusen	787,922	-
TravelBoard GmbH, Leverkusen	12,202	-
Bayer CropScience Deutschland GmbH, Monheim	5,352	-
	<u>5,225,357</u>	<u>8</u>

All payables to affiliated companies are trade accounts payable.

Miscellaneous liabilities

	Dec. 31, 2008	Dec. 31, 2007
	€	€ k
Liabilities		
for social security expenses	116,873	34
for taxes	287,007	60
Advance payments received	43,260,991	365
Other	138,992	173
	<u>43,803,863</u>	<u>632</u>

Remaining term of liabilities

	Due in 2009 €	Due after 2009 €
Liabilities to banks	355	-
Trade accounts payable		
to other suppliers	5,196,613	-
Payables to affiliated companies	5,225,357	-
Miscellaneous liabilities		
Advance payments received	43,260,991	-
Miscellaneous liabilities	532,911	9,961
	<u>54,216,227</u>	<u>9,961</u>

Contingent liabilities

Contingent liabilities relate to guarantee obligations for apartments rented by the company amounting to €156k (2007: €264k).

Other financial obligations

In addition to the provisions and liabilities shown on the balance sheet, other financial obligations exist with respect to open orders for property development amounting to €10,122k (2007: €3,632k).

Notes to the income statement

Sales

All sales were generated in the Federal Republic of Germany.

Sales by business activity

	2008	2007
	€	€k
Property management	73,867,305	7,179
Sale of land	3,721,289	10,040
Ancillary services	775,865	989
Other business activities and services	42,047	41
	<u>78,406,506</u>	<u>18,249</u>

Other operating income

	2008	2007
	€	€k
From the retirement of noncurrent assets	983	2
Miscellaneous operating income	1,053,416	222
	<u>1,054,399</u>	<u>224</u>

The miscellaneous operating income relates to the reversal of provisions and valuation differences between the financial statements prepared in accordance with the IFRS and the German Commercial Code (HGB) and refers to provisions for pensions and other personnel-related provisions for the employees taken over from Currenta, which were transferred on the basis of the IFRS valuations.

Other operating expenses

	2008	2007
	€	€k
Other taxes	124,453	121
Miscellaneous operating expenses	2,361,946	77
	<u>2,486,399</u>	<u>198</u>

The miscellaneous operating expenses comprise losses from the write-down of/ defaults on receivables, derecognition of planning expenses, bank charges, and expenses for other business activities and services.

Non-operating result

	2008	2007
	€	€k
Other interest and similar income	1,301,668	1,179
thereof from affiliated companies	(1,142,116)	(1,176)
Interest and similar expenses	-8,957	0
Miscellaneous financial expenses	-327,125	-150
	<u>965,586</u>	<u>1,029</u>

The miscellaneous financial expenses include the interest portion of additions to discounted pension and personnel-related provisions.

Income taxes

These comprise corporate taxes and the solidarity surcharge for 2008 and previous years.

Other disclosures

Expenses for outsourced work and services

	2008	2007
	€	€k
Expenses for property management	16,085,773	2,301
Expenses for the sale of land	49,139,593	7,543
Expenses for other work and services	129,888	59
	<u>65,355,254</u>	<u>9,903</u>

The expenses for the sale of land result principally from the construction of a new office building for Bayer-Pensionskasse VVaG (€32,280k), and the erection of a media facade on the former headquarters building of Bayer AG (€12,677k).

Personnel expenses

	2008	2007
	€	€k
Wages and salaries	5,250,606	2,030
Social security contributions and expenses for pensions and assistance	3,412,120	787
thereof for pensions	<u>(2,637,958)</u>	<u>(464)</u>
	<u>8,662,726</u>	<u>2,817</u>

Number of employees

The average number of employees during the fiscal year was 73 (2007: 29).

Total compensation of the management

The company refrains from disclosing the compensation of present members of the management as permitted by Section 286 Paragraph 4 of the German Commercial Code (HGB).

Provisions for pension obligations for former managing directors amount to €309k. The total benefits paid out were €36k.

Supervisory Board

Our stockholder has refrained from holding new elections to the Supervisory Board.

Managing Director

Michael Müller, engineering graduate

Leverkusen, March 30, 2009

Bayer Real Estate GmbH

The management